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ABSTRACT

An examination of the fiscal year 1990 national educational budget and assessment of its potential impact on education in the northwestern United States, particularly in Montana and Washington, are contained in this joint hearing report. Statements, prepared statements, letters, and supplemental materials are presented on the following topics: the future of student loan and grant programs; revenue sources for Montana public schools; child nutrition programs; library programs; at-risk students; and changes in lender guarantee policies. A major concern is that the proposed budget will curtail equal access to education. (LMI)

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EA

HEARING ON EDUCATION FUNDING AND BUDGET PROPOSALS FOR FEDERAL EDUCATION EFFORTS

JOINT HEARING

BEFORE THE

SUBCOMMITTEES ON POSTSECONDARY EDUCATION
AND ELEMENTARY, SECONDARY, AND VOCATIONAL
EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

HEARING HELD IN MISSOULA, MT, MARCH 31, 1989

Serial No. 101-39

Printed for the use of the Committee on Education and Labor



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CONTENTS

	Page
Hearing held in Missoula, MT, on March 31, 1989	1
Statement of:	
Fenton, Judith, Principal, Paxson School, Missoula, Montana, Past President of the Montana Association of Elementary and Middle School Principals; Larry Schulz, Principal, Linderman School, Kalispell, Montana, Legislative Liaison for the Montana Association of Secondary School Principals; and Myron L. [Mick] Hanson, Director of Financial Aid, University of Montana	32
Keenan, Nancy, Superintendent of Public Instruction, State of Montana and Judi Billings, Superintendent of Public Instruction, State of Washington	8
Prepared statements, letters, supplemental materials, et cetera:	
Howlett, S. Kevin, prepared statement of	52
Keenan, Nancy, Superintendent of Public Instruction, State of Montana, prepared statement of	12
Montana Congress of Parents and Teachers, prepared statement of	50
Montana Higher Education Student Assistance Corporation, prepared statement of	54
Montana University System, prepared statement of	48
Williams, Hon. Pat, a Representative in Congress from the State of Montana, prepared statement of	4

HEARING ON EDUCATION FUNDING AND BUDGET PROPOSALS FOR FEDERAL EDUCATION EFFORTS

FRIDAY, MARCH 31, 1989

HOUSE OF REPRESENTATIVES,
JOINT HEARING WITH THE SUBCOMMITTEE ON POSTSECONDARY
EDUCATION AND THE SUBCOMMITTEE ON ELEMENTARY,
SECONDARY, AND VOCATIONAL EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Missoula, MT.

The subcommittee met, pursuant to call, at 2:30 p.m. in the Missoula City Council Chambers, 201 West Spruce, Missoula, Montana, Hon. Pat Williams, [Chairman] presiding.

Members present: Representatives Williams, Owens and Unsoeld.

Staff present: Richard Jerue, Ricardo Martinez, and Michael Lance.

Mr. WILLIAMS. Good afternoon. I am happy to convene this joint hearing of the Subcommittees on Postsecondary Education and Elementary, Secondary, and Vocational Education. Today here in Montana at this regional hearing, we will examine the fiscal year 1990 education budget of the Bush Administration and attempt to assess the potential impact it might have on education, particularly in Montana and Washington, but in adjoining states in the West, as well.

This is, by the way, the 22nd hearing, not all of them of the House Education and Labor Committee, but the 22nd congressional hearing that I've held in Montana since first having been elected about ten years ago.

I am pleased to welcome two of my friends and colleagues from the Congress, Congressman Major Owens of New York and Congresswoman Jolene Unsoeld of Washington, both of whom have come here today to listen to the testimony and ask questions of the witnesses. Congressman Owens chairs another important education committee, the Subcommittee on Select Education. He also serves on our Postsecondary Education Subcommittee, as well as the Elementary, Secondary, and Vocational Education Subcommittee.

Major first came to Congress in 1983, and he represents New York's 12th Congressional District. That's one of four New York districts that are included within Kings County, which you know better as Brooklyn; and for you old Dodger fans, Ebbet Field is located in the district in which Major Owens now represents.

Congressman Owens is a graduate of Morehouse College and Atlanta University. He's a former state Senator, a published author

(1)

and lecturer on library science, and Congressman Owens was the keynote speaker at the 1979 White House Conference on Libraries.

We just had a meeting and tour of the public library here in Missoula, and I was particularly pleased that Major was part of that because he is the first librarian elected to the Congress of the United States in the history of the United States.

My other colleague today is a newly elected Member of Congress, Congresswoman Jolene Unsoeld, from the State of Washington. Congresswoman Unsoeld represents the 3rd Congressional District in that state. Before coming to Congress, she served in the state legislature from 1984 until her election last year. She served on the Higher Education Committee while a member of the Washington House. Before being elected to the state legislature, Congresswoman Unsoeld was a very active and very well-known citizen lobbyist in the State of Washington. In the Congress, she serves on the Subcommittees on Elementary, Secondary, and Vocational Education, Health and Safety, and Human Resources. I am very pleased to have her with us in Missoula and for her being with me earlier today at a library hearing that we held in Kalispell.

As we probably all remember, education was highly profiled in last year's presidential election campaign. President Bush stated during that campaign that he wanted to be known as the education President. As one who spent the last eight years fighting for education against a hostile administration, I welcome the advent of an education President. I wish President Bush well in achieving that goal, because we have a long way to go to recover from budget decisions made in the early years of the presidency of Ronald Reagan.

The Federal funding of education has not fared at all well during this decade; and while funding alone does not solve all of education's problem, the old adage that there's no such thing as a free lunch is as applicable to the schools as it is to any other area of service to the public.

During this decade, we have not properly funded education at the Federal level. In real terms, Federal education spending has decreased more than 4 percent. Education represented 2.5 percent of the Federal budget in 1980. Today it represents only 1.8 percent.

To keep elementary and secondary education funding at a level that would provide identical services to those provided in 1980, an additional \$4.5 billion would have to be added to the budget this year. Federal funding for job training programs has been reduced 57 percent since 1980. In 1980, a Pell Grant awarded to a student attending a school of higher education in Montana or around the country covered 46 percent of the average college cost. Today it covers 28 percent.

We indeed have a long way to go, and we are hopeful President Bush will help get us there, but the jury is still out on whether the President will and can keep his campaign commitments. I have to tell you, the early evidence from his first budget is discouraging.

As chairman of the House Postsecondary Education Subcommittee, I do want to spend a few minutes on President Bush's higher education budget before we turn to my colleagues and then to our witnesses. First, the President's budget terminates, ends a number of existing education programs, including the Perkins Loan Program and the State Student Incentive Grant Program.

The Perkins Loan Program provides funds to colleges and universities so that they can make low-interest loans to financially needy students. Last year this program provided loans to more than 700,000 students. If the President's budget is adopted, about 200,000 needy students will not be able to borrow under this program.

In Montana, we had begun to make up for some of the reductions carried out under the Reagan Administration early in his term. In 1980, Montana schools received \$873,000 in Perkins funds. In 1983, that figure dropped from \$873,000 to \$466,000. Last year our schools received approximately \$550,000, so we have begun to turn the corner; but we worry that the Bush budget will take us backward again.

The state Student Incentive Grant Program is a program to assist states in developing their own grant programs for needy college students. Last year this Federal program provided more than 30 percent of the need-based dollars awarded by 13 states. Among those 13 states were Wyoming and Utah, Idaho and Montana.

If the Bush education budget is adopted, these states could all be expected to see significant cutbacks in the number of needy students served by these programs, if not the total elimination of the programs themselves. Nationally, approximately 130,000 fewer students would receive state grant.

Other program terminations contained in the budget could have an equally harmful impact. The budget also proposes changes in the Guaranteed Student Loan Program that could make it difficult, if not impossible, for students to secure guaranteed loans to go on to school. Last year almost 15,000 Montana students received these loans. They are essential to Montana students and parents struggling to pay the costs of colleges and universities.

And the budget, by including education programs in an overall program funding freeze, flexible freeze, could result in significant reductions in programs such as Chapter 1 and Pell Grants.

The testimony we will hear today is an important step in our determination of what will be the public reaction and therefore the congressional response to the President's budget. Chairman of the House Education and Labor Committee, Gus Hawkins, wanted to hold this particular hearing in Montana and others somewhat similarly around the country so that we could hear from people outside of the Nation's capital about your concerns. Through these hearings, we hope to begin to focus public attention on the contents of the budget and to learn firsthand what impact this budget could have on schools and students in Montana, Washington and other states in the west.

We are very fortunate to have five very exceptional witnesses today, individuals who understand the problems facing our schools and our students and the steps that must be taken to address these problems. I look forward to hearing their testimony.

Before we call upon them, however, let me call on my colleagues for an opening statement they may wish to make.

[The prepared statement of Hon. Pat Williams follows:]



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U.S. HOUSE OF REPRESENTATIVES

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SUBCOMMITTEE ON POSTSECONDARY EDUCATION

Opening Statement of Representative Pat Williams
Chairman, Subcommittee on Postsecondary Education
Joint Oversight Hearing of the Subcommittee on
Postsecondary Education and the Subcommittee on
Elementary, Secondary and Vocational Education
regarding President Bush's fiscal year 1990
education budget and its potential impact
Missoula, Mt. Friday, March 31, 1989

I am happy to converse this joint hearing of the Subcommittees on Postsecondary Education and Elementary, Secondary and Vocational Education. Today we will examine the fiscal year 1990 Education budget of the Bush Administration and attempt to assess the potential impact it might have on education in Montana, Washington, and adjoining states in the West. This hearing today is one of a series of hearings that the Committee on Education and Labor will be conducting across the country in order to develop a better understanding of how education will fare under the Bush Administration.

I am pleased to welcome two of my colleagues, Congressman Major Owens from New York and Congressman Jolene Unsworth of Washington, who have come here today to listen to the testimony and ask questions of the witnesses. Congressman Owens chairs another important education subcommittee, the Subcommittee on Select Education. He also serves on the Postsecondary Education Subcommittee and the Elementary, Secondary and Vocational Education Subcommittees. He first came to Congress in 1983, and he represents New York's 12th Congressional District. That is one of four New York districts that are included within Kings County, or Brooklyn. Congressman Owens is a graduate of Morehouse College and Atlanta University. He is a former State Senator, a published author and lecturer on library science, and he was the keynote speaker at the 1979 White House Conference on Libraries. I am very happy that he could travel to Missoula to be with us today.

My other colleague today is a newly elected member of Congress from the State of Washington, Jolene Unschuld. Congresswoman Unschuld represents the 1st Congressional District in that state. She served in the state legislature from 1984 until her election last year to the Congress. She served on the Higher Education Committee while a member of the Washington House. Before being elected to the state legislature, Congresswoman Unschuld was a very active and very well known citizen lobbyist in the State of Washington. She serves on the Subcommittees on Elementary, Secondary and Vocational Education, Health and Safety, and Human Resources. I am very pleased to have her with us in Missoula, and for her being with me earlier today at a library hearing that I

Statement for Rep. Pat Williams
Page 2

As we all probably remember, education was highly profiled in last year's presidential election. President Bush stated during that campaign that he wanted to be known as the education president. As one who has spent the last eight years fighting for education against a hostile administration, I welcomed the advent of an education president. And I wish President Bush well in achieving his goal. For we have a long way to go to recover from budget decisions made in the early years of the Reagan presidency.

Federal funding of education has not fared at all well over the past eight years. And while funding alone will not solve all of education's problems, the old adage that there is no such thing as a free lunch is applicable to education as well as any other area of service to the public. During this decade we have not properly funded education at the federal level. In real terms, federal education spending has decreased 4.1% over the past decade. Education represented 2.5% of the federal budget in 1980. Today it represents only 1.8%. To keep elementary and secondary education funding at a level that would provide identical services to those provided in 1980, an additional \$4.4 billion would have to be added this year to the budget. Federal funding for job training programs, after adjusting for inflation, has been reduced by 57% since 1980. In 1980 a Pell Grant award covered 46% of the average college cost, today it covers only 28%.

We indeed have a long way to go, and I sincerely hope that President Bush will help us get there. Yet although the jury is still out on whether the President will keep his campaign commitment, the early evidence from his first budget is discouraging.

As chairman of the House Postsecondary Education Subcommittee, I do want to spend a few minutes on President Bush's higher education budget. First, his budget terminates a number of existing education programs, including the Perkins Loan Program and the State Student Incentive Grant program. The Perkins loan program provides funds to colleges and universities so that they can make low interest student loans to financially needy students. Last year this program provided loans to more than 700,000 students. If the Bush budget is adopted, almost 200,000 needy students would not be able to borrow under this program. In Montana, we had begun to make up for some of the reductions carried out under the Reagan Administration. In 1980, Montana schools received \$873,000 in Perkins funds. In 1983 that figure had dropped to \$466,000. Last year our schools received approximately \$550,000. So we had begun to turn the corner, but I fear that the Bush proposals could be taking us in the wrong direction.

The State Student Incentive Grant program is a program to assist states in developing their own grant programs for needy college students. Last year, this federal program provided more than 30% of the need-based dollars awarded by 13 states. Montana, Idaho, Utah and Wyoming were among those 13 states. If the Bush education budget were adopted, these states could all be expected to see significant cutbacks in the number of needy students served by these programs, if not the total elimination of the programs themselves. Nationally, approximately 110,000 fewer students would receive state grants.

Statement for Rep. Pat Williams
Page 3

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The testimony we will hear today is an important step in determining what will be the Congressional reaction to the Bush education budget. I wanted to hold this hearing in Montana so that we could hear from people outside of our nation's capital about their concerns. Through these hearings we hope to begin to focus public attention on the contents of the budget, and to learn first hand what impact this budget could have on schools and students in Montana, Washington, and other states in the West.

We are very fortunate to have five very exceptional witnesses today, individuals who understand the problems facing our schools and our students and the steps that must be taken to address these problems. I look forward to hearing their testimony.

We are privileged to have as our lead witnesses two distinguished state leaders in education, Nancy Keenan from Montana and Judy Billings from Washington.

Mr. WILLIAMS. Congressman Owens.

Mr. OWENS. Thank you very much, Mr. Williams. I don't have an opening statement, but I want to thank you for inviting me to Missoula. I've only been here a few hours now, and one of the things that I'm trying to do is switch—trying to switch in my head and be able to adjust to the way your population is spread out so greatly. I come from an area where the population is quite dense. I can drive the length of my congressional district in half an hour; this is during rush hour. It is just that densely populated, just that many people.

I was in your very beautiful Missoula Public Library and heard statistics of what population it served, and I realized that I have five branch libraries in my district, each one serving about 200,000 people, areas which encompass about 200,000 people. So it is important that I make a visit like this and understand how special it is, your kinds of problems are dealing with a sparse population as you do and the distances you have to travel.

I heard at the Missoula Library that some of the funding difficulties—which we have, of course, back East, also—but the funding difficulties that have become so great that the library will have to shut down for two weeks this summer. That might be one of the first in the country, I think. That's a tragedy because just being there for a very short period of time I can see where you are getting a tremendous benefit for a small amount of money.

As libraries do all across the country, they get tremendous benefits for a small amount of money, and education, in general, universities and colleges yield a great benefit for a relatively small amount of money.

We spend tremendous amounts of monies for our weapons system. Every time a Trident Missile goes under, you are talking about \$50 million or \$60 million that have exploded when that missile goes wrong. A B-1 bomber, when it explodes, you are talking about \$200 million, \$250 million, and on and on it goes.

Modern costs are very high, but no one wants to recognize this in the area of education; and as a result, our national security is threatened by undercutting one of the great foundations of our country and that's the educated population. Our population is not keeping pace with other industrialized nations in terms of the kind of education that's available for all who are talented and qualified to accept that education.

So I hope that in this hearing the witnesses will go beyond pinpointing, as we need to do, pinpointing what some of the problems will be as a result of limited funding available at every level and, of course, at the level of the Federal Government. But I hope that a message will also be sent from the witnesses, and maybe some members of the audience will think about it, also.

We need to send a message to our President, who has said he wants to be known as the education President. We need to send a message to him as to what we think the support from the Federal Government should be like for education between now and the end of his term four years from now or between now and the year 2000.

What kind of support do we need from the Federal Government in order to have a first class education system from the cradle to the grave? I hope you will talk a little bit about that during the

testimony and all of you will somehow think about it and try to communicate this message to your elected officials, to the President.

Thank you very much.

Mr. WILLIAMS. Thank you, Major.

Congresswoman Unsoeld.

Mrs. UNSOELD. Thank you, Pat, and I, too, want to express my appreciation for this opportunity to be here today and to see firsthand and to hear firsthand some of the views that you all have on education. When you are the last one to speak, it's hard to be original; but I, and clearly you folks, don't need to be reminded of the importance of education that Major Owens so beautifully described what role that plays in our communities and our families and what our futures are going to be.

But I guess part of why we are here is to enlist your help in another way. For that, I am extremely appreciative that my own superintendent from Washington state was willing to come here and to help get the message out, because we who are going to be voting on these matters in the U.S. Congress cannot do it alone. We need you all across the Nation to raise the cry that education is very important to ourselves, to our children and to their futures.

It's going to take us working together, being a team in order to be able to reverse some of those priorities on the Federal level that have prevented us from giving to our communities the kind of educational support in recent years that is deserved there. So I thank you from two standpoints and then ask you, pick up information yourselves here and go out and sell it to the public and across the land so that the cry goes up. We must have better education.

Mr. WILLIAMS. Thank you, Jolene. Our first panel today, we are pleased and delighted to have the two State Superintendents of Public Instruction from our own state of Montana, as well as the State of Washington. So Nancy and Judy, if you would come forward, please, and share that long, lonely microphone.

Nancy, we know about you, so with your permission, I shall tell our friends in Montana about Judi.

Judi Billings is the State Superintendent of Public Instruction from the State of Washington. She, too, was elected, like Nancy, in 1988. However, in Washington state I understand, Judi, that the election of the superintendent is a nonpartisan race. I know that prior to that time, Judy was the director of Washington's Chapter 1 Program, and like many of us, was a classroom teacher, I suppose I should say, because once that happens to you, you never quite are anything else ever again and pleased with it.

Nancy, we would be please if you would lead off for us.

STATEMENTS OF NANCY KEENAN, SUPERINTENDENT OF PUBLIC INSTRUCTION, STATE OF MONTANA, AND JUDI BILLINGS, SUPERINTENDENT OF PUBLIC INSTRUCTION, STATE OF WASHINGTON

Ms. KEENAN. Thank you, Mr. Chairman, and members of the committee. For the record, I am Nancy Keenan and State Superintendent of Public Instruction for the State of Montana, and I extend to you a big Sky welcome. It is a distinct and unique honor

that your committee traveled west to give us the opportunity to discuss education issues that affect our schools, our students and, of course, our state.

Today I'm particularly proud because the chairman of your committee, Congressman Williams, has been a leader of education not only here in our state but back in Washington, as well. Congressman Williams' leadership, his commitment to quality education, has indeed improved educational opportunity in our state. His innate ability to lead, to unify, to consult and to make tough decisions has no doubt emerged from that great ability that he has as our teacher and as a teacher here in Montana. We Montanans are very proud of our congressman. We thank him for his work. Pat, welcome home.

Mr. WILLIAMS. Thank you, Nancy.

Ms. KEENAN. The committee is accustomed to important work, and I recognize that your time is valuable. Allow me to address briefly Montana's public education financing system, the revenue sources that presently support that system and what role Federal funds play in the overall picture. I would also like to touch briefly on the Federal education agenda and those issues that I see impacting Montana public schools.

Back in 1949, the 31st Legislative Assembly established a minimum 180 days of school attendance in Montana. They defined that a minimum foundation program shall provide the amount required to operate and maintain an adequate and efficient school system. They established separate schedules for minimum operating revenues of both elementary and high schools. These schedules provide a large amount per student in small schools and consideration of the economic scale. The smaller the school, the larger the amount per student. They designed a revenue system that included county equalization, state equalization and a district voted levy.

There were major changes to our school funding in 1963 by establishing the foundation program at a higher level and by increasing taxes to support the state equalization portion. There were changes again in 1972 when the Montana Constitutional Convention reexamined our school funding. Delegates wanted to incorporate funding recommendations actually into the Constitution, but because voters had defeated the sales tax initiative in November of 1971, the convention delegates concluded that property tax was the only available source.

The categories of funds that represent total school budgets include our general fund, which cover those expenditure components including salaries, benefits, health, life, supplies and equipment; a retirement fund, which includes Social Security, unemployment compensation, teachers retirement, public employees retirement; our transportation fund; our comprehensive insurance fund, which covers liability insurance and court liability coverage; our debt service fund, which pays the interest and principal on outstanding bonds; our special education fund, which finances those programs statewide to insure handicapped students a free and appropriate public education.

Other funds include tuition, building reserve and adult ed. The importance of this background basically is so that you understand

what Federal funds and the implications they have on Montana schools.

Our state earmarked revenue sources include interest and income, mineral leasing, income tax, corporate license tax, coal severance taxes, educational trusts and county surpluses. From the local levy, and this is where the gist of the problem comes in here in Montana, we have too often depended on the permissive and local levy, our motor vehicle fees, our county taxes and interest off of there. The Federal Government provides funds to schools usually for special programs, Chapter 1, Chapter 2, the Federal Impact Aid for military bases and Indian reservations, bilingual education, EHA Part B.

Overall only 8.5 percent of total school revenue comes from the Federal sources. Over the years, state financial support for education has declined and consequently a large portion of the revenue for the general fund comes from property taxes in Montana.

Within the same size elementary district, taxpayers' bills vary from 34 mills to 190 mills. The variation in mill rates reflects difference in taxable valuation. Actual taxable valuations range from 94.5 million in one district to 87,000 in another district. Therefore, a mill in one area of our state brings in as much as \$94,000, and a mill in another area of our state produces only \$87.

In April of 1985, a suit was filed by 86 of our school districts contending that the reliance on local levy per student cost differences and taxpayer differences which constituted the Montana public school finance system was unconstitutional. In February this year, 1989, the Montana Supreme Court upheld unanimously the decision by the lower court that indeed Montana's state school funding system was unconstitutional and must be equalized.

Presently, we are in the middle of a legislative session. We are wrestling with that. We are at the eleventh hour, and that bill is pending on the Floor of the House probably next week. But even at that, the state is looking at only financing school general fund at 85 percent, and so there is still a shortfall from state monies that will again go back and rely on the local voted levy in those districts to pick up the balance.

Let me talk briefly about the Federal grants programs in Montana. We presently have 24 Federal grants. Eighteen are entitlement programs; six are competitive. Overall Federal dollars granted in the '87 biennium was about \$53 million. In a rural state like Montana, with the declining property tax base, declining state revenues, Federal dollars play a key role in providing innovative programs to our schools. Federal dollars provide programs that address national education priorities, as well as being key to instructional and curricular improvements.

Satellite distance learning has brought significant and exciting programs to Montana schools, especially in our rural areas. Assisted by satellite dishes, computers and telephone WATTS lines, a school which once strained to teach the basic curriculum can now offer courses in foreign language, physics, calculus, computer sciences and other advanced courses. All of this, however, does not go without deep concern.

Since 1980, Federal education spending in real dollars has decreased 4.7 percent. In fiscal year 1980, education spending repre-

sented 2.5 percent of the Federal budget, but in '88, education spending represented only 1.7 percent of that Federal budget. If adopted, education spending will represent 1.75 percent of the 1.16 trillion Bush budget. President Bush's amendment budgets includes a \$441 million request for new initiatives. All but \$12 million of these increases would require enactment, as you well know, of authorizing legislation.

If the Bush Administration proposal includes a freeze at '89 dollar levels for all other U.S. ed programs, additional problems arise for our states. The new President's total budget request for the Department of Education appears to be about \$22.3 billion. The overall increase of less than 2 percent over fiscal year 1989 dollar levels represents about half of the 800 million, plus increase required just to meet inflation and to provide the current level we are receiving in the states of education services.

I, too, would urge that you invest in our children's future by investing in their education. An investment of 2.5 billion over fiscal 1989 spending is needed in fiscal year 1990 for programs operated by the Department of Education and consequently then to the states. This level of funding will increase access to education opportunities through existing programs that we receive in Montana and other educational initiatives.

The increase in the minimum necessary to invest substantial new resources in proven programs that Montana takes great advantage of, including Chapter 1, programs for children at risk and schools of failure; to maintain the current service levels in existing programs which in Montana have leveraged educational innovation and improvements at the state and local level, our Chapter 2 program monies; that you consider committing new resources to the key national priorities of preschool education, inclusive of prekindergarten programs and Head Start; that you commit resources to support child care, both through public and private providers.

Just to touch briefly on vocational technical education, there is a need to place new emphasis on improvement of programs serving high concentrations of students with special needs. And yes, even in Montana we have many, many students with special needs. Use the vocational technical education to its fullest potential to insure priorities of increasing literacy, graduation rates and job-related training opportunities and reducing welfare dependence; expanded research and personal training and development of the national data base to document the status of our vocational technical programs.

I know that your time runs short when you are out to a very short visit here in Montana, and our important issues are numerous. But I would commend both your leadership, your vision for the students not only of a state like Montana's, but the vision of the students of the state of the Nation and your courage to meet those educational needs.

I thank you, Mr. Chairman, members of the committee, for the privilege of addressing you, and I am pleased to respond to any questions that you may have.

Mr. WILLIAMS. Before we go to questions to you, Nancy, let's hear from Judi Billings.

[The prepared statement of Nancy Keenan follows:]

The Office of Public Instruction

Nancy Keenan
State Superintendent



State Capitol
Helena, Montana 59620
(408) 444-3054

Status of Montana Public School Financing
and
Federal Budget Implications

Before the
United States House of Representatives Subcommittee on
Elementary, Secondary and Vocational Education

Presented by
Nancy Keenan
State Superintendent of Public Instruction
State of Montana

March 31, 1989

Thank you, Mr. Chairman, members of the committee. For the record I am Nancy Keenan. I am the State Superintendent of Public Instruction for the State of Montana.

I extend to you a Big Sky welcome. It is a distinct and unique honor that your committee traveled West to give us the opportunity to discuss education issues that affect our schools, our students and our state.

I am particularly honored and proud because the chairman of your committee, Congressman Williams, has been a leader of education in Montana and in Washington.

Congressman Williams' leadership and commitment to quality education has indeed improved educational opportunity in our state. His innate ability to lead, to unify, to consult people and make tough decisions has no doubt emerged from his great ability as a teacher.

We Montanans are very proud of our Congressman. We thank him for his hard work. Welcome home, Pat.

You are accustomed to important work. And I recognize that your time is very valuable.

Allow me to address briefly our public education financing system in Montana, revenue sources that presently support that system, and what role federal funds play in the overall picture. I would also like to touch briefly on the federal education agenda and those issues I see impacting Montana public schools.

Historical Perspective:

- 1949 the 31st Legislative Assembly established a minimum 180 days of school attendance;
- defined that a minimum foundation program shall provide the amount required to operate and maintain an adequate and efficient school;
- established separate schedules for minimum operating revenues of elementary and high schools. These schedules provide a larger amount per student in small schools in consideration of the economics of scale: the smaller the school, the larger the amount per student;
- designed a revenue system that included county equalization, state equalization and the district voted levy.

There were major changes to school funding in 1963 by establishing the foundation program at a higher level (75%) and increasing taxes to support the state equalization portion.

And changes again in 1972 when the Montana Constitutional Convention re-examined school funding. Delegates wanted to incorporate funding recommendations into the Constitution. Because voters had defeated the sales tax initiative in November of 1971, the convention delegates concluded that property tax was the only available source.

The categories of funds that represent total school budgets include:

- General Fund which covers those expenditure components that include salaries, benefits (health - life insurance), supplies and equipment;
- Retirement Fund funds employers' contribution to Social Security, Unemployment Compensation, Teachers Retirement System, and Public Employees Retirement System;
- Transportation Fund which finances school transportation;
- Comprehensive Insurance Fund which is authorized to fund liability insurance and corporate liability coverage;
- Debt Service Fund which pays the interest and principle on outstanding bonds and costs of special improvement districts;
- Special Education Fund which finances programs statewide to ensure handicapped students a free and appropriate public education as mandated by the Education of the Handicapped Act;
- Other funds which include: Tuition, Building Reserve and Adult Education.

Montana state law has established a variety of revenue sources to support our schools.

State Earmarked Revenue sources include:

- Interest and Income 24.59%
- Mineral/Leasing 12.54%
- Income Tax 31.8%
- Corporate License Tax 9.27%
- Coal Severance Tax 1.62%
- Education Trust 4.77%
- County Basic Surplus 9.02%
- Other Revenue - General Appropriations from the legislature

Local financial contribution to public schools include:

- permissive and local levy
- motor vehicle fees
- county taxes (45 mill)
- interest

The federal government provides funds to schools, usually for special programs. Examples include Chapter 1 and Chapter 2, Federal Impact Aid for military bases and Indian reservations, Bilingual Education EHA Part B, etc. Overall, about 8.5% of total school revenue comes from federal sources.

Over the years state financial support for education has declined and consequently a large portion of the revenue for the General Fund comes from property taxpayers.

Within the same size elementary districts, taxpayers' bills vary from 34 to 190 mills. The variation in mill rates reflects differences in taxable valuation. Actual taxable valuations range from \$94.5 million to \$87,000. Therefore, a mill in one area brings in \$94,000 while the mill in another area produces \$87.00.

In April of 1985 suit was filed by 86 school districts contending that the reliance on the local levy, per student cost differences and taxpayer differences which constituted Montana's public school finance system should be unconstitutional.

In February 1989, the Montana Supreme Court upheld unanimously the district court decision that the state's school funding was unconstitutional and must be equalized.

Federal Grant Programs:

Montana presently has 24 federal grants. 18 are entitlement programs and 6 are competitive. Overall federal dollars granted in the '87 biennium was about \$53 million. (The two major grants are ESEA Chapter 1 and Chapter 2.)

In a rural state like Montana, with a declining property tax base and declining state revenues, federal dollars play a key role in providing innovative programs to our schools.

Federal dollars provide programs that address national education priorities, as well as being key to instructional and curricular improvements. Satellite distance learning has brought significant and exciting programs to Montana schools, especially in our rural areas. Assisted by satellite dishes, computers and telephone WATS lines, schools which once strained to teach the basic curriculum can now offer courses in foreign language, physics, calculus, computer sciences and other advanced classes.

All of this, however, does not go without deep concern:

- Since 1980 federal education spending in real dollars has decreased by 4.7%.
- In FY80 education spending represented 2.5% of the federal budget. In FY88 education spending represented 1.7% of the federal budget. If adopted, education spending will represent 1.75% of the \$1.16 trillion Bush budget.

- expanded research and personnel training and development of a national data base to document the status of vocational-technical programs.

Our time runs short and the important issues are numerous. I commend your leadership, your vision for our students and your courage to meet their educational needs.

Thank you Mr. Chairman and members of the committee, for the privilege of addressing you.

I am pleased to respond to any questions.

MONTANA PUBLIC EDUCATION FACT SHEET

MONTANA SCHOOLS 1988-89

Elementary Districts	378
Secondary Districts	163

ENROLLMENT 1988-89

Elementary K-8	109,490
Secondary 9-12	42,701
TOTAL	152,191

EDUCATIONAL STAFF 1988-89

Elementary Teachers	6,543
Secondary Teachers	3,042
Administrators and Supervisors	888
Other Certified Staff	918

PUBLIC SCHOOL EXPENDITURES 1987-88

General Fund	445,850,765
Retirement Fund	52,724,070
Comprehensive Insurance Fund	10,620,115
Transportation Fund	28,436,087
Bus Reserve Fund	1,859,603
Adult Education Fund	2,220,058

SPECIAL EDUCATION 1988-89

Number of Programs	349
Number of Cooperatives	26
Number of Students	15,068
Basic State Funding	27,361,646
State Contingency Funding	500,000
Federal Funds (EHA-B)	4,655,540
Federal Funds for Service to Handicapped Preschool Children	473,520

SCHOOL TRANSPORTATION 1987-88

Number of Bus Routes	1,354
Longest Route, Round Trip Mileage	204.4
Total Miles Annually	16,456,896
Number of Pupils Transported	59,083
Average Annual Per Pupil Cost	\$481
Total Transportation Costs	\$28,436,087

CHILD NUTRITION 1987-88

Average Number of Lunches Served Daily	77,162
State Revenues	\$94,751
Federal Revenues	
USDA Commodity Foods	\$3,081,630.00
Cash	\$9,526,963.17
Nutrition Education Program	\$50,000.00

GENERAL EDUCATION DEVELOPMENT (GED) 1988

Total Examinees Tested	2,629
Certificates Issued	1,870
Average Age of Examinee	25.9

GIFTED AND TALENTED 1988-89

Grades K-6	2,616
Grades 7-8	400
Grades 9-12	112
Annual State Grant	\$100,000

ESEA CHAPTER 1 1987-88

Number of Programs	
Local Education Agencies	205
Neglected/Delinquent	4
Handicapped	5
Migrant	7
Number of Students Served	
Local Educational Agencies	12,741
Neglected/Delinquent	233
Migrant	750
Allocations	
Local Educational Agencies	11,125,472
Neglected/Delinquent	173,106
Handicapped	381,958
Migrant	276,544

State Superintendent of Public Instruction

Nancy Keenan

CHAPTER 2: FUNDING FOR MONTANA SCHOOLS TO LEVERAGE CHANGE AND MEET DEMANDS OF THE FUTURE

Chapter 2 is appreciated by Montana schools as a vital source of funds used to initiate change and innovative programs, and to meet educational demands unique to each district. Virtually all other federal and state aid to education is designated for specific direct services to students, or as seed money for small demonstrations. Chapter 2 represents federal support of state and local efforts to reform and improve schools at the direction of local educators and community members.

In April of 1988, Chapter 2 was reauthorized in Public Law 100-297 which builds on, and strengthens the role of the program as a catalyst for improvements in education. Through Chapter 2 a number of federal and state categorical programs will be better coordinated to address national priorities, such as the needs of students at risk of failure and school effectiveness initiatives. In addition, Chapter 2 funds are key to instructional and curricular improvements by providing for many educators to attend professional development and inservice training programs.

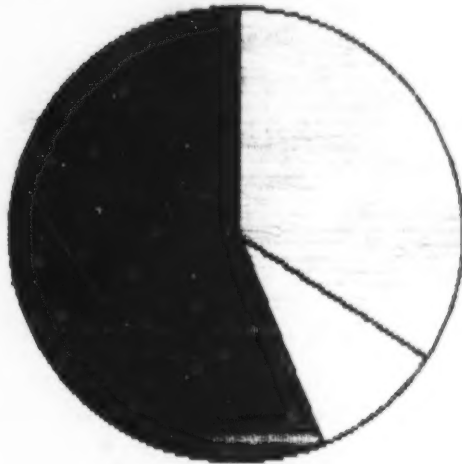
In the words of the principal at Kalispell Junior High, "Chapter 2 is money used to take risks in curriculum development, a very valuable investment. The use of computers in classrooms was once a risk which Chapter 2 allowed us to take. Now, computers are the bone marrow of schools. To the extent that Montana schools are in the computer age is because of Chapter 2." At Kalispell Junior High, Chapter 2 funds were used to develop a computer aided writing center which eventually won an award from the National Council of Teachers of English.

In recent years, satellite distance learning has brought some of the most significant and exciting developments to Montana schools, especially those schools in rural areas, thanks to Chapter 2 funds. Assisted by satellite dishes, computers, and telephone WATS lines, schools which once strained to teach the basic curriculum, can now offer courses in many foreign languages, physics, calculus, computer sciences, and other advanced classes. The WATS lines and computers enable students to communicate with instructors during classes and even to send in language lessons for criticism on pronunciation and sentence structure. The Montana Office of Public Instruction focuses a portion of its state Chapter 2 funds to provide technical assistance to many schools in developing satellite learning.

In many Montana school districts, Chapter 2 is the only source of funds for "visionary work," as it is called by the curriculum specialist for the Billings schools. In an effort to address the long-term needs of at-risk students, a committee of school board members, administrators, and teachers chose to use Chapter 2 funds to develop a K-12 career planning program. The program will help students beginning in kindergarten to identify strengths and weaknesses, track interests, develop work-related experiences, and better face the eventual decisions about further education and direction in the job market.

Chapter 2 will continue to be the most popular federal program for Montana schools because it supports state and local efforts to work toward excellence in basic education.

Summary of Revenue Sources for Montana Public Schools

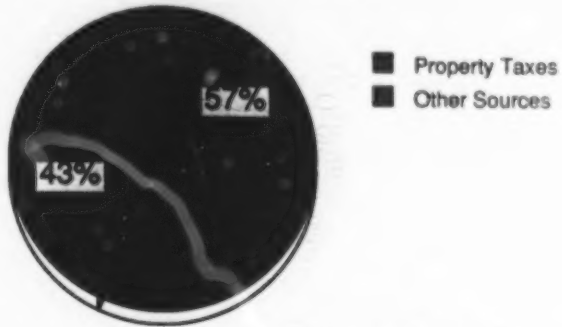


□ 34.0%	Revenue From Local Sources	\$215,444,622
□ 9.6%	Revenue From Countywide Sources	\$60,880,583
■ 47.8%	Revenue From State Sources	\$302,825,215
■ 8.5%	Revenue From Federal Sources	\$53,807,454

total \$632,957,874

Total School District Revenues for Fiscal Year 1987

**Property Taxes as a Portion of
Total School District Revenue
for Fiscal Year 1987**



Source: Office of Public Instruction

Ms. BILLINGS. Thank you, Mr. Chairman. Representative Owens, Congresswoman Unsoeld, for the record, my name is Judith Billings, and I am the Superintendent of Public Instruction for the State of Washington. Before talking about the problems, enormous as they are, that we are faced with, I do want to say what a special pleasure it is for me to be able to attend this hearing and to address these issues, particularly because I am a Montanan by birth, and most of my common school experience took place in the State of Montana in Libby, Montana. So, I am well acquainted, at least by having used the Montana state education system.

As the chairman indicated also, the view that I take of education is predicated on a lifetime of professional experience in the field of education, having been a teacher and administrator at the local level for 15 years, then having worked at the state office for eight and a half years with the Chapter 1 Program and having had the rare opportunity, also, to work for a year and a half with this very committee in Washington, D.C., as a staff member for Chairman Hawkins on the Education and Labor Committee in the House. So it gives a perspective of seeing how all of those pieces of the education system fit together.

And having been for many years an education professional, I also go back to the point where we did not have Federal aid to education, when all of that responsibility was carried by states and local school districts. And having the Federal dollars in education have made a huge difference in the equity with which we treat children across the United States.

I am very grateful that these hearings are being held in the Northwest, and even though we are a long distance from Washington, D.C., we here in the Northwest do rely on education programs that the national government provides, especially for aid to children who are in need of special help or are from minority cultures.

In the State of Washington, we, like our counterparts across the country, are working very hard to provide the finest possible education system to our children. In the State of Washington, we currently, in fact, at the state level provide approximately 80 percent of the education funding for school districts, which requires right now almost 47 percent of the total state budget in Washington. We recognize that strong education programs are extremely important for a creative society, as well as for a productive economy.

And if we are going to have a strong national defense, as Representative Owens pointed out so clearly, our first line of defense is a well educated populace. Our commitment to education is motivated by a love for our children, as well as a recognition that if we don't educate the populace well, we have indeed relegated our Nation as a whole to a second-class place in the world.

It's an unfortunate fact that, not only in the State of Washington but across the Nation as well, for many of our children right now the prospects are not particularly good. There are a startling number of our children who increasingly come from what are called at-risk backgrounds. The State of Washington for the first time is really coming to that recognition strongly.

The predictions are that by 1990, next year, about 36 percent of children in the State of Washington will be classed as coming from at-risk backgrounds. That means either coming from poverty level

families, minority families, families headed by single women or a combination of all of those factors. And more often than not, this is the case. It is a combination of those factors that complicates children's lives and makes it very difficult for them to succeed in an educational system, no matter how good that system is.

There is nothing, of course, that says that simply because children do come from those backgrounds they must fail or they are destined to fail. But we do know that in many cases, if we are not able to offer them special help, they indeed will fail. They will not live up to the fullest extent of their native potential. And we face a grim future if we are not able as a populace to provide for these children and if we demonstrate a lack of commitment because we lack commitment to providing resources for them. Under those kind of circumstances, children in the State of Washington and children across the Nation will suffer.

These statistics that I have just mentioned come out of the 1980 census. Now we are almost to the point of the 1990 census, and so as we look at what has happened in those areas of at-risk, we know right now that the incidences of poverty and children at risk have increased over that decade. In fact, I was at a hearing the other day where some of the things being discussed in the State of Washington were crises in a number of areas, including transportation and education and others.

And I guess what I indicated to them was that we are not really going to have to worry a lot about, for instance, whether we have a good transportation system if we are not willing to commit to education. All we will need is good roads to the welfare and unemployment office. That will pretty well take care of the problem.

As we look at the need for assistance to children rising dramatically, we find, unfortunately, that the commitment by the Federal Government has decreased over that period of time, that we see the reversal that was referred to in the chairman's opening comments in the commitment from the Federal level.

If you look over the last decade, for instance, in 1980, about 26 million children participated in the school lunch program. Now, even though we have an increasing number of children, only about 23 million participate. In the late 1970's when education funding from the Federal level was probably at its highest point, even then only about 25 percent of the children eligible for Head Start were being served. Now that's down to about 15 to 18 percent, decreasing instead of increasing.

In Chapter 1, which has proven itself as one of the most single effective education programs ever, that program alone, even though it has increased in dollars, in relative dollars, there has been a 12 percent decrease in funding since 1980, and that is shown in the fact that we are serving about 550,000 fewer children across the Nation than we were previously.

Those illustrations make one point, that as our need is increasing, our resources are declining. The Federal Government is running in the opposite direction right now from need. And if we expect America to maintain its reputation as a nation that loves children and provides for them, then we must reverse that trend, and we must do it quickly. If we expect our Nation to continue to

be powerful and productive, we truly have no other choice, and we are really at a crisis point.

If we look at what perhaps are three of the big D's right now, defense—well, as we said earlier, defense doesn't matter if we aren't willing, also, to defend the children's rights. We talk about the deficit. One of the huge deficits we have right now is in our funding of education programs. That's a deficit we need to be as concerned about as the national deficit. And that's going to take two more D's, determination and dedication.

For the last eight years, what we have heard from the national level, from the Federal administration, is a lot of rhetoric about how important education really is. And in that particular period of time, we have probably heard more about education award programs, essay contests, that kind of thing, visits to schools, children on the White House lawn, dramatic pronouncements about the need for good education programs; but unfortunately, most of that was pure public relations. It did not end up in dollars for educational programs. The real program was a program of decline in resources at a time of increasing need.

In this context, it is something of a nightmare almost to look at the education budget that seems to have been proposed again by the current administration. And I use that term, seems to have been proposed, because it's a little hard to figure out just exactly what is there at this point. What does flexible freeze mean? None of us are quite sure. Whatever it means, all we can be sure of is that it is a budget that again is continuing to run in the opposite direction of need.

We look at the fact that the President has said he wants to be the education President. Well, he's visited some schools. After releasing what looks like right now one of the worst education budgets we have seen in a long time, I guess I am left to wonder, does that mean that we have another four years of publicity games ahead of us without real commitment to solid education funding?

You know, as that great American orator, Yogi Berra, once said, "it was *deja vu* all over again," and that is what it appears to be at this time. What we do not need is more essay contests and awards. What we need is a solid commitment to funding.

Now, assuming that the director of the Office of Management and Budget knows what he's talking about when he refers to this budget, he has indicated there will be a freeze on outlays. Now, if that's true, it is a disaster for America's children, because in the education area alone, these are the kinds of things we are going to be looking at: Chapter 1 programs cut by 46 percent; handicapped programs cut by 42 percent; vocational and adult programs will be cut by 44 percent; bilingual and immigrant education will be reduced by 21 percent; library programs will sustain a 22 percent reduction; and student financial aid will fall another 15 percent. Now, that doesn't sound like a solid commitment to increasing education funding.

And not only are our education programs cut, but if you don't also support other kinds of children's programs, you don't allow those kids to take advantage of what kind of education system there is there. The WIC Program, Women, Infants and Children's

Program, Maternal and Child Health block grant, Migrant Health Centers and the National School Lunch Program, all of those right now are slated for cuts of varying magnitudes in the current administration's budget. Children can't be good learners if they are not healthy learners, and these programs can't afford to be underfunded, either.

I think anyone who has even the slightest concern for the Nation and the children must look upon that budget proposal and simply shake their heads. It must be rejected by Congress, and we are going to rely on Congress and work with Congress to put the kind of resources forth that are there that will do the job.

I would implore you to join with educators across the Nation who are concerned. And one of those who has shown a great deal of concern and a continuing commitment is the chairman of the Education and Labor Committee, Representative Gus Hawkins. I can assume certainly that all of you are very familiar with his proposal, but let me just note some of the very positive things that that proposal does.

The cost in millions in budget authority and the programs for fiscal year 1990 would be, for instance, in the area of early childhood, health, education and development, \$2.9 billion; compensatory education for at-risk children, \$785 million; fighting dropouts and drugs, another \$405 million; strengthening high education, \$900 million, for a total of \$5.4 billion in programs.

Now, that's the sort of approach that I had hoped we would hear from a President who said he wants to be the education President. And it's that sort of approach that will turn around the kind of negligent trend that there has been at the Federal level for the last decade. It can bring some cheer to those of us who really believe in children and want to see the best kinds of programs for them.

I know that the deficit is a huge problem, but as I said earlier, we will have a greater deficit in children's abilities to succeed and make us a powerful nation and support our economy if we are not willing to make those kinds of commitments.

Permit me to give you just one additional thought as I conclude my testimony. I have provided to your staff copies of a document that was prepared by Julie Sugarman, a name that probably is familiar to many of you. He was the father of the Head Start Program and is the former Secretary of the Department of Social and Health Services in the State of Washington. His proposal is called the Children's Trust. It is one way out of the deficit mess, because it does recommend the formation of a children's trust at the national level that would be there to adequately fund children's programs. It would be financed by employer and employee contributions just as the Social Security system is.

If it's enacted now, that trust would generate an estimate \$19.6 billion by the year 1994, and those revenues could be used to fund programs throughout the Federal system that provide health, nutrition and education services to America's children.

We need that kind of commitment to solving the problems of children. Because of the pressure of the deficit, many of the well-conceived programs now at the national level are not as effective as they might be because they simply cannot serve enough of the children. We have the funds spread too far. And that nickel and

diming then does not help overall in terms of a broad range of increase in children's ability to work and to survive.

While we await progress, then, toward a sure and true solution to the problems of children's future, I would again ask you to reject the administration's budget quickly and move on with the kind of deliberations on a real budget that puts real money into children's programs.

Again, my hero, Yogi Berra, said, you know, "it's not over till it's over," and it won't be over until you folks in Congress have had your say.

Thank you for the opportunity to testify.

Mr. WILLIAMS. Thanks to both of you. Let me start with my colleagues for questions and yield first to Congresswoman Unsoeld.

Mrs. UNSOELD. I was planning on thinking of questions while he was asking them, but I want to express appreciation to both of you for your testimony. It is the kind of strong leadership we need coming out of our communities, coming out of our states, so that we cannot only vote the way we would like to support your concepts, but also be able to turn that tide and reorder our priorities in national spending.

Mr. WILLIAMS. Congressman Owens.

Mr. OWENS. I'm off the East Coast now and away from the great concentration of liberals, and I wanted to hear from you, what you think of the basic argument that's continually being offered in Washington; that is, we are still proud of the fact that our Federal Government plays such a limited role in education.

The past President and now this one, almost boast about the fact that we are only spending—we are only providing about 6 percent of the total educational expenditure for the country now. I think it used to be as high as 8 percent, but now it's down to 6 percent; and this is considered good because it shows that in keeping with the old American way, we are leaving it up to the states and the localities to take care of education. We are not interfering. That's a local province, and we can only make matters worse if we add more Federal intervention and interference.

I don't agree with that, and I just wondered, is it my orientation on the East Coast and as a liberal that I think the Federal Government ought to, in this day and age, be spending more and taking responsibility for a greater percentage of our educational expenditure? I don't think we would be hurt at all if we were spending as much as 25 percent of the total expenditure on education since it has such a critical part, plays such a critical role in the national security and everything we are trying to do.

We need more educated people. So I just wonder if you could give me some idea of how, in the heartland, outside of the East Coast, what is that response to more Federal involvement with education?

Ms. KEENAN. I agree with you entirely, and let me talk about a couple things. One, local resources, especially in a state like Montana, are no longer available, so it has shifted to the state. The state is influenced by what happens to our international and national economy, that then the resources and availability of funds for public education are not there, either. So there has to be more of an influx of money from the Federal Government to states so that we can help local jurisdictions meet the needs of our students.

I think on one hand it's interesting that the government talks about no intervention when it comes to education and at the same time, some of the intervention, if you will, and influence on the economy, tax structure in this Nation, has great influence on the ability of taxpayers in a particular state, namely Montana, and our access to markets and to move into the international marketplace and our ability then to pay for education. We have to have those Federal dollars. We have to have an increase in those Federal dollars. I don't think the administration is conscious of that, and we have to have those dollars flow West, especially.

Mr. OWENS. Do you think the voters in this state are at that point now? That's the people's wisdom you are giving me?

Ms. KEENAN. Yes, sir, I believe so, because we are finding they are tapped to the limit with their ability to pay any more for public education. It is one of the largest budgets in this state at \$600 million. It takes a large portion of our state budget, and they no longer can depend on the property taxes. We have looked to income tax, are now discussing sales tax in this state, and they are at their limit. And I think it's only appropriate that the Federal Government also take responsibility in the education of our youth.

Mr. OWENS. Ms. Billings.

Ms. BILLINGS. I agree that the Federal Government should be involved in education in a very meaningful way. Education is, after all, a national priority, and therefore, it is a national responsibility. Again, if we are looking at having a strong nation, and if we look at it simply—if we looked at it not even in the human terms of what we need to do for kids because they are people, if you looked at it in terms of cost effective terms and whether we are going to be a strong economy, it's necessary that we put more resources into education from the Federal level.

One of the things that made a huge impression on me when I was in Washington, D.C., the last couple years was the testimony from the five chief executive officers of businessmen before this very committee when Charles Woodside, Charles Perry indicated that they would even support Federal tax increases if they could be assured that that money would go to fund additional educational programs for at-risk children in this Nation, because they recognize the dire need, the crisis position we are in. And so I think it's not just a liberal view, if you will. I think that there's a very solid recognition across the board that there is that kind of Federal responsibility and that we really have to step up to it.

Mr. OWENS. Do you think it would help the populace understand this more if you made—do you make comparisons between states as to what the educational achievements are, the performance of pupils? Do you consider some of the recent comparisons that have been done on an international level comparing our students, the best of our students to the best students in Korea, certain European countries, the results of that kind of comparison and the discussion that that generates, is that of any use in terms of helping people understand where we are and how urgent the situation is with respect to our children and their educational performance?

Ms. BILLINGS. Yes. I mean, it is widely discussed, and there is a lot of hand wringing over it. What needs to be done is to translate that hand wringing into action, that there are things that can be

done. One of the things that has been most distressing to me, and you hear it at the state as well as national level, is we don't want to, quote, throw money at the problem, unquote. That is a phrase I never want to hear again because that is not what we are asking, is to throw money, which sounds like you are throwing it away.

What we want to do is invest, and those kinds of figures and comparisons that you are talking about are the very kinds of things that ought to make it very clear to us that that's a kind of investment that we have to make. But it has to be translated into those kinds of terms, that this is, in fact, an investment in the future, and it is going to have an effect on those kinds of comparison, because they can change. In fact, they have to change.

Ms. KEENAN. I just might add to that the comparisons are good, and I guess the last time that we had such a striking comparison was during the Sputnik era when we woke up and we were asleep at the switch there, and a lot of money then was put into the math and sciences in our Nation, especially from the Federal level. We have not had another occasion like that recently, other than consistently in this state that we are comparing our students with specifically the Japanese and the Pacific rim area. Can we compete?

And I think the bottom line, we have to get back to something that we are seeing. For example, David Kearns with Xerox and some of the major corporate individuals in this Nation say that we are losing the competitive edge economically. That seems to be taking some movement and some motivation there, that they see if we continue to erode our educational system, we do not invest in it, that indeed we have lost the competitive edge on the international market.

That hits home because people want jobs, they want to work, they want to be competitive. And they no longer want to be competitive out here in the West with North Dakota and South Dakota. They want to be competitive with the world and the Nation, as well.

So with regard to that, I think we are moving in the right direction, that businesses in this Nation have at least started to cry because of the loss to their businesses due to nonproductive workers because of lack of education. But nonetheless, it is not loud enough yet, and I hope we don't have to have a crisis before people really see that it is not, as Judy said, throwing money—I hear the same thing in Montana, heard it last week—throwing more monies at education, but rather, that we are truly investing.

Mr. OWENS. Thank you very much.

Mr. Williams.

Mr. WILLIAMS. To both of you, which of the Federal education efforts that come into your state, would be most missed and would cause the most harm if they were significantly reduced or eliminated? Are there, in your own work with both education, administration and as classroom teachers, are there Federal efforts which you believe are particularly important to children, students and their parents in the State of Washington and in the State of Montana, as well?

Ms. BILLINGS. Without question, one of the places that we would hurt the most would be if we were to lose the Chapter 1 Program, which provides the bulk of the funding in the State of Washington

for remedial programs. While we do have a state funded Learning Assistance Program, it is only half the size in terms of dollars of the Chapter 1 Program.

We get about \$47 million in basic Chapter 1 money and an additional \$10 million or so in migrant money. Interestingly enough, Washington has the fourth largest migrant education program in the Nation. That sounds kind of strange, but those kids come on up through the stream from California and Texas. If we did not have those kinds of monies, we would have a world of hurt there in that particular program.

Mr. WILLIAMS. Let me interrupt. What does the President's budget do with the migrant education?

Ms. BILLINGS. Migrant programs are folded in with the Chapter 1 Program where there is, I believe it's a 2 percent increase, which is not even inflationary. What it will mean in the State of Washington, if that's what holds, we will cut programs again, we will have fewer children served.

Mr. WILLIAMS. Nancy.

Ms. KEENAN. In Montana, definitely Chapter 1 dollars are very important and more increasingly so have become Chapter 2 dollars. I am finding that of the presently eligible districts in Montana, 551, we have 516 of our districts participating in Chapter 2 dollars; and that's where a lot of the innovative programs and curriculum are available, especially in the rural area. Eight hundred and seventy-four impact dollars, with seven reservations in Montana, those dollars that flow through have a great effect on our native students and native studies here in Montana.

And I guess the last one I would say is the vocational technical area. A lot of the programs again out in rural Montana, even in our cities, the technical, the robotics, vocational kinds of things that are going on are due to Federal dollars that flow through to our public schools.

Mr. WILLIAMS. I would like to say for the benefit of my two colleagues that the Montana legislature is currently in session and is having an understandably difficult time trying to wrestle with where to find the funds necessary to meet Montana's education needs, particularly in light of the court decision that Superintendent Keenan mentioned early in her statement. Nancy, you work, I assume, fairly closely with the legislature with regard to the education and budget. Are Montana state legislators taking into account the effects of the lost dollars in Montana if the President's budget is accepted by the Congress as they prepare to fund education on the state level?

Ms. KEENAN. To be quite frank with you, no, I don't think they are. Specifically they know as they budget through that process, as they go through their proposition process those Federal dollars that we receive. They know the impact of those Federal dollars on the programs they offer; but at this point, we wrestle with the equalization. Their focus has been there and not necessarily on how the Federal dollars specifically play into that, although they much appreciate and know that it has offset time and time again state dollars that have had to go in, especially when we are very short of state dollars.

Mr. WILLIAMS. Judy, you asked a question in your statement which I think was, what is the flexible freeze, what does it mean? What it means in terms of dollars, as nearly as I can determine, is this: I served six years on the House Budget Committee and used to have to wrestle myself with these matters all the time.

So I've looked at the President's budget with some care, and apparently a flexible freeze is defined by the President this way. He would increase defense spending about \$10 billion 200 million in the coming year, and he would decrease domestic spending below inflation about \$9 billion 600 million for the coming year. That's an increase on the defense side and a decrease on the domestic side.

His budget, surprisingly, places fewer dollars in education than did President Reagan's budget, which as you know, he had to submit before leaving office for this coming year. We all assumed, I think without exception, that George Bush was going to increase the education budget above what the Reagan budget had been, and we are frankly shocked almost to the point of thinking it was a mistake when we learned that President Bush's budget calls for fewer dollars for the schools than did the Reagan budget. I haven't seen any bumper stickers yet on the cars of my Democratic friends, particularly liberals from Brooklyn, that say, "I never thought I'd miss Ronald Reagan."

Then, Judy, you also mention something that I've worked with for a lot of years, including as a teacher, and that is the efforts on compensatory programs for disadvantaged children. Those programs are necessary in the United States, and it is those efforts which the Federal Government is most deeply involved in and for which we receive some criticism.

You have heard the criticism. It goes like this: Government takes care of the poor; the rich can take care of themselves, and everyone else is on their own. Nonetheless, the Federal Government does spend significant amounts of education dollars trying to do the only thing that the Federal Government does with regard to education in America, and that is to assure access to the schools for all Americans.

We don't determine quality in Washington. State superintendents determine quality, school boards determine quality, principals determine quality, superintendents, teachers and in large measure, parents themselves through such groups as the PTA. All the Federal Government says is whatever you decide in Bellingham, Washington, or Anaconda, Montana shall be the quality of those schools. We want to be sure that every child, regardless of their color or their height, in the case of college basketball stars, or their income level or their sex, be granted full access to these programs.

So that is the effort that the Federal Government has made through the years. And sometimes to assure access, we have had to send the troops and remove governors from schoolhouse doors, and we have done that, too. It seems to me if one wants to determine whether the traditional Federal role in education is beginning to change, one should look at what the Federal Government does to assure access for disadvantaged students, disadvantaged by income or handicap or whatever.

As you have pointed out, the President's budget asks for cuts in excess of 40 percent in those efforts, which is pretty significant and

really does indicate a dramatic change in the appropriate Federal—in determining what the appropriate Federal role is in education.

Do either of my colleagues have further questions?

Mrs. UNSOELD. I do. Thank you, Mr. Chairman.

How do you two states compare nationally with each other as far as high school dropout rate is concerned? What is that level? Do you have that figure, by any chance, or approximation?

Ms. BILLINGS. We did a dropout study this last year, and it was somewhere in the 20 to 25 percent range in terms of what is called retentive students. We have that many kids not finishing.

Ms. KEENAN. I don't know offhand. I know that where we find a lot of our dropout rate is specifically with our Indian students, not only off the reservation, but that we don't see them go on to school to our universities or vocational schools. The population here in Montana being just a little over 800,000, I don't think we share the same kind of problems as some of the larger populated states have with dropout; but nonetheless, we do have a dropout rate.

Mrs. UNSOELD. The next question I want to ask, in no way do I want to have it felt that my asking it suggests that I think there should be any reduction in it or even the present level of spending, because I definitely think it needs to be increased, but there are ways perhaps we can use our money better.

It seems like every time there's a crises of some sort, either within our state or Nation, we want more accountability from our teachers, from our schools, to prove that what we are doing is right. This morning we had some testimony on the perhaps inordinate amount of effort it takes to fill out a grant request for some of the assistance programs. Do you think that the Federal Government is currently—that there is too much of an emphasis? How does it impact your jobs and the jobs of your teachers and your educators in the state as to what the feds require for your participation in their programs?

Ms. KEENAN. Being just three months on this job, I've already recognized the inordinate amount of paperwork that is required, specifically from the Federal Government in the name of accountability, I guess. I guess there is accountability at several levels; one, that we have taxpayers wanting accountability of tax dollars. We want the Federal Government's accountability of the monies that they send truly go to the specific programs.

Paperwork is monumentous at times. I think that we are very responsible in accounting for our dollars at the state level. It is sometimes getting districts to comply with it and maybe they are a little haphazard in returning that paperwork, but we request it from every program, from fall reports on how many students we have to how many native students we have. You name it; we ask about it.

So I think there can be some efficiency in streamlining reporting and maybe eliminating some of that duplication, especially at the state level. And hopefully then by doing it at that level, we can also trimline or else help them trimline what the Federal Government is asking for us in that respect.

Ms. BILLINGS. I know one of the things in the reauthorizations that I was involved in with the Hawkins-Stafford amendments of

1988, we worked very hard in those programs to try to get accountability to a point where it was truly meaningful, that we were not expecting things that were excessive.

And, for instance, in the Chapter 1 Program, the accent is back on quality of program rather than simply on numbers that really tell you nothing. I think it is reasonable to expect a certain amount of accountability for dollars because we do want to know if the dollars we invest are, in fact, resulting in improvement. But there are ways to do that that are less oppressive than some of the kinds of materials that we collect now.

And quite frankly, one of the problems is that even though Congress has been very careful about trying to make accountability a reasonable, handleable kind of effort, the Department of Education has often again gone far beyond that, requiring kinds of reports and kinds of evaluation and things that go well beyond what truly is the intent of Congress. And it is that kind of thing that then causes difficulties for state departments of education and local school districts, is trying to live up to some kinds of expectations there that were never originally the intent of the legislation.

Mrs. UNSOELD. Thank you very much.

Mr. WILLIAMS. Let me ask you both to comment about something that doesn't have to do with the President's budget, but I thought it is an area or a matter that is becoming of increasing interest in the country and that is school bus safety. Although I know neither of you have been superintendent very long and may not have had an opportunity to deal with it I would just like to get your personal judgments about it in the way of advice because the Congress is going to begin to consider the matter again.

We have from time to time given consideration to everything from the new proposal to take all school buses out of service that were put on line prior to a certain year, I think it is the 1970's. There were proposals a few years ago to require all seats within the school bus to have a seat belt/harness arrangement. Nancy, you know, we had a horrible accident not far from Kalispell a few years ago, and I know Washington state has had accidents in the past.

Do either of you have a sense of what, if any, the appropriate Federal role might be; and also, what do you think the situation is with regard to school bus safety in your respective states?

Ms. BILLINGS. I guess I would just have some rather general comments there. I think it is a reasonable area to address as far as concern. I know our state legislature wrestles with the same kinds of things. In fact, I think we just had this session introduced again, the seat belt question, and I don't believe it made it through committee. But again there, if the Federal Government is going to be involved, the thing that is most helpful is to actually talk to the practitioners, the people who drive the buses, the transportation supervisors, the school districts, who are the front-line folks, rather than writing something in relative isolation from the people who are actually going to be affected by whatever the laws are.

And I think that if you have that kind of grass roots, gut-level input, that you probably can have some kinds of accountability with school bus safety that will make sense and probably be very helpful in assuring it.

Ms. KEENAN. I think in addition to the actual bus safety design, seat belts/no seat belts issue, is also the training of our drivers. And we find here in Montana that if you have a chauffeur's license, you can drive a cab or you can drive a school bus. And that's one area that we are specifically looking at, is some extensive training.

However, I think that ultimately we have to look in that area, as well, those people that actually drive the buses and what kind of training they think they need to do a better job at that, in conditions unique to the West, perhaps.

Mr. WILLIAMS. Well, our thanks to both of you for traveling here to Missoula, and we appreciate your advice and counsel and are grateful for your attendance here.

Ms. KEENAN. Thank you.

Ms. BILLINGS. Thank you.

Mr. WILLIAMS. Our second panel will be Mick Hanson, Larry Schulz and Judy Fenton.

Will those folks please come forward. We also appreciate the three of you being with us.

Judy Fenton is the principal at Paxson School here in Missoula and is the past president of the Montana Association of Elementary and Middle School Principals.

Judy, let's begin with you.

STATEMENTS OF JUDITH FENTON, PRINCIPAL, PAXSON SCHOOL, MISSOULA, MONTANA, PAST PRESIDENT OF THE MONTANA ASSOCIATION OF ELEMENTARY AND MIDDLE SCHOOL PRINCIPALS; LARRY SCHULZ, PRINCIPAL, LINDERMAN SCHOOL, KALISPELL, MONTANA, LEGISLATIVE LIAISON FOR THE MONTANA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS; AND MYRON L. [MICK] HANSON, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF MONTANA

Ms. FENTON. Mr. Chairman and members of the committee, thank you for the opportunity to share our views on the current proposed budget for the fiscal year 1990.

As Mr. Chairman mentioned, my name is Judy Fenton. I am a principal from Paxson Elementary School in Missoula, and I am here representing the Montana Association of Elementary and Middle School Principals.

The school principals from Montana are deeply concerned about President Bush's budget proposal for education. The Bush budget is full of unknowns and it is far from the national priority of a self-identified education President. Let me share some of our analyses with you.

President Bush proposes an increase in Chapter 1 of \$151 million. Inflation alone would require at least \$180 million. The proposal is an actual decrease in buying power and will cause a reduction, not an increase, in children to be served.

In our school district alone, we are serving 6 percent of our student population. The student/teacher ratio for our program is 25 students to one teacher, an exceedingly high ratio for a program designed to meet the individual needs of students who are at risk.

We are running a bare bones budget for the program. Any additional cuts would result in a loss of teaching staff in our district. Chapter 1 is a program with proven success. We need an increase in these funds in order to meet the needs of our disadvantaged youngsters.

Another valuable education program which is underfunded in the Bush budget is Chapter 2. This program provides the greatest amount of flexibility to schools to serve the unique needs of their children. The gains made by this program are on site.

The program has a high degree of accountability and involves the entire school community to include parents, teachers and students. Because Paxson School is not eligible for Chapter 1 funding, our school is using our Chapter 2 monies to implement a highly successful remedial math and reading program for our children.

In addition, we are using Chapter 2 monies to implement a research-based school improvement program in our school, designed to improve student performance in achievement, behavior and attitudes toward school.

Both of these approved programs were established based on needs expressed by the entire school community at Paxson School. Any cuts in this area would result in us having to drop one or more—or both, rather, of these essential programs.

In addition to the programs already mentioned, a program of particular importance in Montana to the administrators is the Leadership in Educational Administration Development Act, LEAD.

Due to our being such a large rural area, we are often unable to get in-state training to improve our administrative skills. As a result, our administrators must travel out of state for such training.

The LEAD program has brought outstanding presenters to Montana with meaningful information to share. Our administrators have benefited by the training and continue to use it to implement successful programs in our individual schools.

In order to remain effective as instructional leaders, it is important that the LEAD funding be increased. A modest increase in this program would represent an effective investment in our nation's human capital.

The President proposes 10 new initiatives, eight of which require new authorization. These eight programs do not exist. What does exist, though, is a very comprehensive Hawkins-Stafford Act, enacted, as you know, last year, which includes programs that would accomplish the purpose of the new initiatives.

These programs are not new. Wise Congressmen have already enacted them into laws. What they need is funding, Chapter 1, Even Start, Secondary Basic Skills Improvement. I could continue.

But you understand as members of the House Education and Labor Committee the number of positive education commitments you have already authorized that are seriously underfunded.

The Bush budget does nothing for these programs. Real improvement in funding is not recommended. Instead, Mr. Bush dumps all of these, with the exception, of course, of the Guaranteed Student Loans, into what one Congressman has called the "piranha pool,"

where every increased dollar for one education program must be a bite out of another area's program and vice versa.

We much prefer the commitment to education expressed by your Chairman, Mr. Hawkins. His proposal clearly identified the weaknesses of the Bush budget and offers funding increases to deal with the reality of education's needs.

Education was 2.5 percent of the Federal budget in 1980. It will take a \$2.5 billion increase in fiscal year 1990 for education to hold that same percentage, and that brings us even, and even is not good enough.

Fortunately, Mr. Hawkins' proposal goes further. He proposes a \$5.4 billion increase each year for four years. The Montana Association of Elementary and Middle School Principals supports his proposal and urges you to do all you can to make his education budget increases a reality.

Our nation and its survival depends on an educated citizenry. Education is the critical foundation for all we do and all we hope to accomplish as a nation. The Federal Government must make a vigorous commitment to education significance and measurably improve its priority for funding.

I have many additional facts about how the Federal funds are being used in the Missoula School District and in my school as well, where I am principal. I'd be most happy to share this information with you and answer any questions that you may have.

Thank you.

Mr. WILLIAMS. Thank you, Ms. Fenton.

Larry Schulz is a principal at the Linderman School in Kalispell. He is also legislative liaison for the Montana Association of Secondary School Principals.

Larry, it's nice to see you both in Kalispell and here in the same afternoon. We reduced the speed limit in Montana not long ago to 55 miles an hour. I assume you abided by that as—see, I flew here and Larry drove, and he was here when I got here. That is the reason I ask. It is nice to have you here, Larry.

Mr. SCHULZ. There were a couple comments I'd like to make. On the route down, I think I saw the country a little better than you. I did get detained along Flathead Lake where they were blasting the roadway away, and I did exceed the 55 a little bit, Pat, but please don't take any funds away from us.

I'd like to thank you and the committee for the opportunity to come here and visit with you regarding the things that I've observed and the positions I've been in as far as seeing what is happening with our budget.

I have represented Montana Secondary School Principals the past five years in the Federal liaison representative group in Washington, so I have been in a position to follow through with some of the things that have been happening.

It's been a very enlightening experience, and to look at the numbers of people that I represent, there's about 41,000 secondary school principals in this country. And each year we meet back there, and there's less than a hundred of us and we go through a very intricate examination of the budget, and then, of course, we visit with our Congressmen about the concerns that we do have.

I have seen a lot of very healthy-looking things occur on behalf of the budget, but I've also seen a lot of gloom, and I guess you have already heard a lot of that in the prior testimony, but I want to add to some of those concerns as we go through here.

I think some of the things I come from—and Pat did mention it—but I oversee the vocational education program in the Kalispell Public Schools also. It's given me a rare opportunity to look at what is happening to the young people as they go out and they face the world in which we go into.

And I think that is one of the biggest concerns I have, is we are very well aware of the deficit we have at all levels. Our economic base is severely eroding. In Montana we have had some tremendous adjustments, from the mining in Butte, Montana, which was a major impact; the Burlington Northern has cut back immensely in its work force, probably 40, 50 percent. The logging industry in western Montana is about 50 percent of what it was.

Lots of things here have occurred that have really impacted our society. Along with these things, of course, is the need for retraining. What do those people do that lost their jobs? What do our high school graduates look forward to as far as going out into this former highly resource-oriented economic base that we had? We have a tremendous need to retrain.

I would like to address a group of people that has been spoken of as the forgotten half in some illustrations and foundation work put on by the Grant Foundation. They have put out some major studies that talk about the forgotten half. The forgotten half of those young people that come out of high school and numbering about 40 percent that do not go on to college.

There is about 25 percent that will drop out in an average across this country of ours. Fifteen percent, in addition, will graduate from high school and will go immediately into the work force.

Now, mathematically that puts it right at 40 percent of the people going out of high school at 18 years of age must go into the economy as we now see it. The economy now has no opportunities for them. The minimum wage problem is indeed there.

The American dream as we knew it in years gone by, if you studied hard, you went out into the work force, you had an opportunity to buy a new home and to have a family and your kids were going to be as well off or better than you. That American dream is disappearing and it is a sad commentary.

If these statistics are correct, and I have no reason to feel they are not, the Department of Labor said that 17 million new jobs in the last three or four years is a great number. The Reagan administration spoke of that as being a tremendous attainment. The problem, 10 million of those new jobs were below the poverty level.

Now, I am not sure how we expect to pay for schools, pay for roads, pay for taxes if those things are indeed happening.

Now I would like to switch over, I guess, a little bit to our educational system and how this is affected by all of this. The Chapter 1 program is, of course, essential. In our own school district I have overseen Chapter 1 for a number of years, and I have seen teachers work with kids on an individual basis, and I have seen them turn things around, get motivated and so on.

But when you are only working with about 40 percent of the eligible kids, and that is what we are maxed out at, that is nationally and in the State of Montana, we obviously are falling behind. We are not retraining or training those younger people to come up and be viable parts of our economic work force. They are not going to make it. A lot are falling through the cracks, primarily through a lack of dollars.

You asked a question, Congressman Owens, I think a little bit before, about what the role was of the Federal Government. I think I could speak pretty clearly to something that I have observed in my observations back there. That is leadership.

I think the Federal role has to be leadership. I think by putting money into the systems, the educational systems of Washington or Idaho or Montana or wherever is really important. Let the people there take the lead with it.

However, as we have moved to a global society and the global competition, hey, we people in Montana, we are six or eight years behind the global problems. We really are. And in the past that was probably to our advantage. In this day and age, it is not.

We are definitely sending out of our state yearly a number of young people that can only find employment in other states. The opportunities are flat out not here.

So back to the leadership thing, I really believe the Federal Government has a great role to play there in helping us spearhead and understand the problems of the economy, how the work force is handled. Where the opportunities are is indeed important.

There is another very important part of that, though, and that is the integration of programs. I think we need to do more with that, moving math programs into the vocational technical areas and doing those kinds of things, and doing more for those young people.

Chapter 2 is another example, I think, of a place where the Federal Government has been really—the money has been well-spent in Montana and in a lot of the places have been very innovatively put forth.

One area in particular in my own school district is we have put some money into computers for elementary use. And really there is a lot of software out there now that does a lot of good things for kids that are behind times as far as bringing them up to speed.

Now we are only in our infancy with that. We have got a small amount of exposure, but let me tell you, I believe strongly that every young person in this entire country is going to be behind times if he does not have tremendous skill in the computer field by the time he graduates from high school. There is no way he is not—he is going to be able to compete out there in the world unless he does have that.

One of the things I would feel is important is for us to do more with computers through Chapter 2 or other innovations, and as they approach the work force, then they will be more competitive, they will be able to work with the technology that's there.

Head Start has done real well as far as starting kids off and assisting parents and so on. There has been a lot of legislation that has come forth nationally that will in fact enhance that, Even Start, Congressman Kennedy's—Senator Kennedy's bill on ABC Start and et cetera.

And I think there is really a need for young people to be invested, the parents of those young people as well. If we can turn those people around and make them productive, taxpaying citizens when they are older, which we hope to be able to do, then I think this is in truth a good effort.

I would like to speak a little bit about vocational education right now, vocational technical education, I guess, as it is now being known as. With the forgotten majority of students, 40 percent not going on, it is ever more important that we do more with that group of people at the high school level.

I am guidance trained and my background at one time, I was in that field totally. We used to look to everything being done at the postsecondary level, but with the numbers of young people coming out of high school as they are, we need to move that technological training back into our high schools and even more.

It is true in the future you will have to have more education, postsecondary and et cetera, but I really think that the Carl Perkins Reauthorization program is indeed very vital to everything that is occurring out there.

I can point to many, many examples in Montana where we have done tremendously well with innovations in the field of computers, and Carl Perkins monies more specifically.

The national state leadership that we get from our vocational council is indeed part of that and very necessary. I think it is part of that leadership that we need to look for in the future.

Another thing that Judy spoke of is the LEAD Act, and that was the assistance of principals, elementary and secondary, in Montana. It has been a real godsend, with the distances we have. And I am not sure if you are aware of it, Congressman Owens, but we are talking about six or 800 miles in actual distance across Montana.

So what we are doing with that program, we are taking the seminars out to varying areas within Montana itself. That way geographically a lot of our people can get to those sessions and it is bringing us up to speed, and it has been a very, very good program. I would encourage its continuance.

The Tech Prep Bill, I think has tremendous potential, and we need to look at it even more, the two plus two concept of where students start in high school in a preparatory area and continue on postsecondary.

Now, there is a tremendous amount of turf there, as you well know, between the university system, the high schools and so on. We are now breaking down that turf in Montana. We are working together on coming together in a more unified force.

I feel with resources being shorter in all of our states, this is an absolute necessity. We don't have the luxury of extra dollars. We must work more closely together, and that, of course, is one of the things that is there.

Along with that, that whole system, there are six centers in the United States called the National Network of Curriculum Coordination. Those centers provide innovative curriculum materials and et cetera for all of the varying improvements and curricular movements in this country.

Those strategies are very important. That is part of the reauthorization process, and I would hope would get favorable consideration from Congress. It costs about a million dollars a year.

I would like to speak a little bit about training of adults. I am a little bit out in left field because I work in the second schools. As I work with vocational programs, I can see a real need that we have got to utilize our training monies better. We have got to work together.

The Job Training Partnership Act, which is a rather extensive act, of Carl Perkins money and any other job training programs that we have going should be coordinated in a more viable fashion.

We are doing lots of things. I don't mean to say we are not in Montana, because we are. We have got lots of successes, but I am one of those people that feels things can always be improved, and I think through working together, we could collectively do this.

There has been altogether too much turfdom in the development of these things in our country. And whatever we can do in the way of leadership, as I was speaking before, to break down that turfdom, to make it common turf and working together, not detracting from one another, but building upon the strengths of each other, so to speak, capacity to build the programs that we now know.

Along with this, there is a tremendous knowledge or lack of knowledge about what areas do we send people into. Yes, we want to educate them, we want to educate them well to think and to act and et cetera. I think we need to do a lot more with specific job career training, teach kids about opportunities, let them learn about those things in our literature courses, our English courses, our biology courses.

Let them look at the world of opportunities out there and spend more time doing that, so when they come out of high school they have an idea of the varying job clusters that are out there and the opportunities that are there as far as work is concerned.

In closing, I would like to speak a little bit about President Bush and his recommendations for new programs and so on and so forth. You have heard real eloquent scenarios about this from Washington representatives and superintendents.

One of the words that comes to my mind when I look at what happened with President Bush and what he is proposing is a charade, and that is the first thing to come to my mind. We have got all kinds of people that really don't understand what is happening here.

Now, why should these kinds of things—if education is as important as what we say it is, if it is the real grist in the mill of making this country better, shouldn't these things be out in the open and debated up front and discussed more up front?

I really—I am very disappointed, as all of you are, I know, with the charade that is going on. It is taking up a tremendous amount of time with you people in addressing that game that is going on back there.

How do you address it? I am not really sure, and politics is a strange thing at times. But I really don't feel that President Bush is a friend of education at all. When he said to Mike Dukakis about no taxes and read my lips, I would like to have him read my lips and say let's cut out the charade as far as education is concerned,

because I think that is in truth what is happening, and that is a sad commentary when we really are fighting for our own existence.

You look at our deficits with the Japanese foreign markets coming in, and we live in a wonderful country, the greatest country that has ever lived, but it was made because we protected our markets, we protected the people within our system, and we educated them to their fullest.

Right now we are dropping some of those protections and things have gotten completely out of hand. I think it is time that we look to our leadership, again, and why it is so important, and I think some of that has to come from back there, working with the states, working with each other in order to overcome some of these things.

I think there are a lot of people that can be pulled in in collegial teams to overcome some of these things, and I think the future is bright, but we have got a real uphill battle right now with the Bush proposal.

And with those comments, I would like to again thank you for allowing me to come speak my piece and shoot a little bit from the hip, western style, but that is kind of how it is. We out here in the west do not know how to do it any other way sometimes.

Thank you.

Mr. WILLIAMS. Thank you, Larry.

Our final witness today is Mick Hanson, who is the Director of Financial Aid at the University of Montana.

Mick, it is nice to see you again. Please proceed.

Mr. HANSON. Thank you, Pat. And to your colleagues, Congressman Owens and Congresswoman Unsoeld, welcome to Montana. I can't help but comment, Major Owens, that I am a diehard Brooklyn Dodger fan, so we could probably share a lot of fun stories from the 1950s about when baseball was still a game.

I am pleased to be here and I appreciate your effort in gathering information directly from the folks that preceded me and from the higher education area of financial aid administrators as well.

I assure you that my staff at the University of Montana and several of my colleagues around the region have concerns about the Bush administration funding proposal for higher education.

I have provided you with a written report that will give you more complete information on what I wish to highlight today. I will focus my comments now on how the Bush administrative proposal might affect the funding of students in a public institution such as the University of Montana.

I must say that the proposal from the Bush administration does not really include an educational budget in the eyes of financial aid administrators. It does little more than perpetuate the previous eight years of minimum level funding that was only partially rescued through the efforts of some of our Congressmen, such as Pat Williams.

The platform of candidate George Bush contains support for higher education. I see very little evidence of that promise in his requests for 1990.

The situation is serious. During the last 10 years, campus-based Federal funding for financial aid has stagnated. I would like to emphasize my point. In the last page of your handout that I provided for you, there is a graph. You might want to take a look at that. At

the University of Montana, I chose to illustrate three programs that are funded by the Federal Government at our institution.

In 1980-1981, the College Work Study program was funded at a level of \$780,000. In 1989-1990, it is proposed at \$765,000. That is a drop. SEOG, Supplemental Educational Opportunity Grant, 247,000 down to 198,000, and finally, NDSL/Perkins loan, we see a minor increase in actual dollars here of 200,000 to \$266,000.

During that period of time, the cost of education at our institution, which is no different than across the country, has risen from \$3,100 to \$6,800 for an in-state undergraduate.

Consider my dilemma in meeting the needs of nearly twice as many students enrolled whose educational costs have more than doubled with virtually the same amount of campus-based money. Again, I say these programs have stagnated. We need additional support if we are going to meet the needs of the students in the next decade.

As a result of this reduction in campus-based funding, our Guaranteed Student Loan program has skyrocketed and no longer served the middle income family for which it was originally intended but completes the financial aid package for the most needy students on campus. It is not surprising some of our schools have problems with default rates.

I would like to comment a little bit on each of the individual programs that have been proposed for funding in 1990. Similar to those campus-based funding programs, the Pell Grant program has not met its inflationary costs either.

As a result, Pell now covers less of the basic cost of education. Pat Williams indicated that earlier in his opening remarks. Even at a relatively inexpensive school, such as the University of Montana, a maximum Pell Grant payment of \$2,300 will now cover approximately one-third of an in-state student budget next year.

In the State of Montana, our proposed tuition increase for next year is 14 percent. Failure to recognize those steadily increasing costs of higher education in Pell Grants increases loans for those most needy.

Although Bush has proposed a moderate increase in budget for Pell Grant, and this is where some of those charades come in, Larry, NASFAA, my professional organization, has actually projected a decrease in the assistance to students who will attend school greater than half time.

They project the increase will go to those students who attend less than half time. Now, assuming that a student might have time for gainful employment while attending college less than six hours a week, it is my feeling that a Pell Grant incentive to attend less than half time is acceptable, but it shouldn't be at the expense of those who are attending full time.

The State Student Incentive Grant program is scheduled for elimination. That is disturbing. This program, although not representing a large percentage of money, is very useful to us. We use the \$200,000 in a very discretionary manner to provide additional assistance in gift money to those most needy students.

The more dollars we keep in grants, the less dollars students face in repayment. Unless there is a substantial increase in the Pell

Grant funding, it is my recommendation to retain the SSIG monies for special circumstances.

It is encouraging to see the administration support the College Work Study program. As an administrator on campus, I see the value of this program on a daily basis. The experience and sense of belonging for students is tremendous.

To earn while you learn fits in the middle of grants and loans. I urge Congress to keep this program strong, and I suggest any Congressman to visit a campus and see the students at work if they have any questions about its value.

Perkins loan. The request of the administration to discontinue any new Federal Capital Contributions, of course, this is above and beyond our revolving monies that we collect through the collection of loans, to this Perkins Loan program, would eventually lead to its demise.

Consider that the inflation, defaults and the general cost of doing business would require additional capital to maintain the same level of service. Otherwise, there is going to be erosion.

Loss of this Federal Capital Contribution and the required institutional match would reduce our funds immediately by barely \$300,000. That affects a lot of students, in fact, over 300 less.

If you are one of those 300, you will feel the pinch. What alternative could we use to keep these students in school? The ICL program, offered as one alternative, does not appear to be the answer, as I will explain later.

On another proposal in the loan area, there is a suggestion that we have a 30-day waiting period before disbursing Perkins funds to newly-enrolled students. I question this proposal for the following reason: A review of our records for this year indicated that approximately one dozen students who had Perkins loans withdrew in the first 30 days of classes.

The present total repayment amount on those six who have not yet returned this overpayment is less than one-half of 1 percent. Should we discourage new students from a successful start by forcing them into non-existent alternatives when this is the result? Should we impose changes in college accounting systems to delay contribution of funds for one-half of 1 percent?

I urge the Congress to carefully consider the cost of requiring additional restrictions on administrative tasks on all institutions if there are few administrative problems among a few of the schools.

Another proposal, checking the credit history of borrowers over the age of 21 before we grant them Perkins loans. This will be expensive and it may eliminate the student who is starting over and needs that second chance.

It is difficult to argue against a proposal that helps reduce defaults, but this one comes with significant cost, both in charges associated with credit verification and in terms of staffing.

It also appears to be contrary to Secretary Chavazos' statement where he places his priority on ensuring, quote, that each of our citizens has an equal opportunity to benefit from quality education. I believe that this particular approach could deter more students from attending college than the controversial filing fee now charged by needs analysis agencies.

The Stafford loan program. The proposed changes in this program are frightening. I have included here for the record two written comments from Bill Lannan, Director of the Montana Guaranteed Student Loan Program, and I appreciate his response.

First issue, reducing the guarantee agencies' reinsurance rates by 10 percent places an unreasonable expense burden on the agency. Coupling that with the reinsurance fees of a quarter or half percent, depending on the default rate and the confiscation of excess reserves, which in our case amounted to about \$1 million, places the guarantee agencies in a precarious financial position. And he states, Montana could not accept that reduction and continue to operate.

Issue two, reducing the lenders' guarantee from 100 to 90 percent. First of all, he says, lenders are at a risk of losing their guarantee now when they do not follow the required due diligence procedures.

If a lender was at risk of losing 10 percent of each default, they will drop out of the program. In Montana there would be a loss of \$40 million per year in private capital being loaned to students to complete their formal education. I am sure it is the same in Washington. There is a perception that lenders are reaping huge profits from student loans. I am convinced that is not true.

Student loans are relatively small amounts multiplied, disbursed and expensive to administer. The earnings on student loans have been reduced by decreasing the special allowance by one-quarter of 1 percent.

Further erosion of the earnings of the lender will convince lenders to get out of the program. Many families rely on the Guaranteed Student Loan program for their children's education. Driving lenders away will create a void that offers families no alternative.

Our experience at the University of Montana echoes Mr. Lannan's comments. Stafford loans currently represent one-third of our total financial aid. The Staff loan has become the mainstay of our program. An exodus of lenders would create an uproar in Washington that few would want to experience.

The Income Contingent Loan program has little or no interest on our campus. It is too difficult to administer and is unattractive to students. I urge the administration and maybe you in the Congress to further examine carefully the results of the pilot programs before action is taken any further.

Some general comments. Preservation of the campus-based programs is important. Two of them, Perkins and SSIG, appear to be particularly endangered. I urge you to consider the continuation of these services.

It is these very programs that allow us as financial aid counselors to respond to the unique circumstances of students in an efficient and humane manner. Judgments, not available with the Pell Grant program, which no longer exists in this next year, can be made to offset a difficult situation.

Processing a Stafford loan is not as immediate and is often already at maximum levels and offers no additional money. If Congress feels it is important to serve students who have unique situations, I believe it is important that these campus-based programs

remain to allow us the flexibility to do so. Don't take them away from us, please.

Another aspect is stabilization. Financial aid offices need some stability. Programs that work and function should not be altered in favor of spontaneous decisions that, quote, something else might be better, end quote.

I am convinced the great majority of the financial aid community is committed to helping students being informed and knowledgeable. Constant change and modification of rules and programs make it nearly impossible to achieve this goal.

I was going to bring our five-inch-high guidelines for administering financial aid, but I did not have the energy to do so. Much of our day in the office is spent explaining to students the changes that took place so that when they say, I only was away from school one year, that they are not eligible any longer. Someone once said, if it isn't broke, don't fix it, where out in Montana we might say, if it ain't broke, don't fix it. It is my hope that Congress will preserve what we have, enhance what we have and avoid hasty decisions that could confuse the process once again.

Generally speaking, it appears to me that properly run campus programs are already working pretty well. Legislation to correct isolated problems shouldn't be imposed on the masses to enforce compliance among the few.

Finally, it is my hope that we improve support to students in higher education, not reduce support. This investment in the future should not be compared to so many of the other expenses our tax dollars support.

The future of our country and the world depends on productive, educated citizens. I sincerely believe educational support is an investment, as it assists in providing a better standard of living for the student and the country.

And for those conservatives concerned about the value of financial aid, those increased earnings should also provide a better return in taxes during the student's lifetime of work, thus an investment for all.

I would like to thank you for this opportunity to appear before you today. Your concern and assistance in promoting higher education is needed and appreciated, believe me.

Any comments are welcome. I am willing to respond to your questions any of you have.

Thanks.

Mr. WILLIAMS. Thank you for making your testimony very specific and we appreciate having it. I will yield to my colleague, Mr. Owens, for questions.

Mr. OWENS. I appreciate the testimony, and as in the case of the previous two witnesses, instead of a confirmation of our own perceptions of what needs to be done, it buoys my optimism to hear at every level that there is an understanding, we understand it is a charade.

I think the average voter, the average taxpayer also understands it is a charade, that the President himself, by billing himself as the education President, has probably set in motion that which might allow us to make a breakthrough.

There is so much agreement, we understand the same terms, we have gone through a history of lean years at every level in the country, I think, in all the programs related to education funded by the Federal Government.

There is a feeling of enough is enough, and there is this feeling we are in a desperate situation, and I think as a result, we may be able to mobilize the kind of sentiment that would allow us to make a breakthrough, so I am optimistic as a result of hearing you.

It will be up to Mr. Williams, who serves as ably—you are not on the Budget Committee anymore—he served so ably on the Budget Committee, was our advocate, did a great job. He was one of the few people who was very much involved in education there, and that committee consistently over the last few years has made education a high priority and we have gotten a great deal of support in Congress and the House.

When the Hawkins-Stafford Bill passed, H.R. 5, there was overwhelming support. I don't think there were 20 people who voted against it.

In the Congress there is a sentiment which I think we can take advantage of and build on. And given the fact that there has been this great letdown as a result of the education the President proposed in the budget, which is a charade, maybe it will backfire and we can make some of the breakthroughs that I think are necessary.

We understand at every level, and I am grateful to the fact that your testimony has helped me to understand that you understand it quite well, at every level and every region of the country we understand what is happening.

Thank you very much.

Mr. WILLIAMS. Thank you.

Mrs. UNSOELD.

Mrs. UNSOELD. I perhaps should direct this to the staff at a later time, but I am going to take advantage of having you here.

Mr. HANSON, I apologize, but what is the Income Contingent Loan program?

Mr. HANSON. It has currently been a pilot program by the Reagan administration and it is basically intended to eventually replace the Perkins loan program. It has a repayment schedule that will be varied based upon your rate of pay after you leave school.

There are some good things about it, but there are some administrative nightmares associated with it. They had a great deal of difficulty getting 10 colleges and universities around the United States to even begin to participate in that program. And it is not a very popular thing. I can quote my counterpart at Eastern Montana College who said dump it. That was her feeling.

Mrs. UNSOELD. Recently, I had a constituent call, more than a constituent, it was a newspaper reporter, who was complaining about the difficulty of getting a loan for his offspring, was having difficulty getting a loan because he was sort of in that middle ground.

He said that had he been a home renter, he would have qualified, but because he was purchasing a home, that was considered an asset that needed to be liquidated before he was eligible.

Do you have this kind of complaint?

Mr. HANSON. There isn't enough time in the day to tell you all the questions we get such as that. That is a very obvious question. There are some misconceptions about what they have stated to you.

There are asset protection allowances. The methodology that Congress has passed prior to your entry to Congress is fair. There are some things that people don't always agree with and maybe we need to be more liberal with our interpretations, but there isn't really a disadvantage to the homeowner versus the renter, as I feel.

Mrs. UNSOELD. The last thing maybe is just a comment. I appreciate your comments on the paperwork and maybe the Chair will, when we get back, figure out how we can put together some additional work in D.C. to figure out whether there is anything we can do to help direct some kind of real reduction in a number of areas.

Thank you very much to all of you.

Mr. WILLIAMS. Judy, as the principal of an elementary school, you have worked a long time with Chapter 1. In the United States, fewer than half of the children who are eligible for Chapter 1 participate in it for one reason, not enough money, the program isn't broad enough.

I have never known what the percentage of—should know, but it just occurred to me as I listened to you, I don't know what the percentage of students in Montana is that are eligible but don't receive it. Do you?

Ms. FENTON. I can give you some information from Missoula and just assume that the rest of the state pretty much follows suit.

We have approximately 13 percent of our children that would be identified as needing services, and that would be youngsters that would be at the 40th percentile or below on a standardized achievement test. In our district, we can only serve children that are at the 33rd percentile or lower, and so thus, the discrepancy.

And then when you think about that, we have 10 schools in Missoula that are eligible for receiving Chapter 1 funding and support for their children. We still have another group of schools that don't get that support and are not eligible.

And the school that I am at is one of those, and that is why that Chapter 2 money is so critical to the children in Paxson School. So I would guess that probably 7, 8 percent you can't serve because of the lack of funds.

Mr. WILLIAMS. Larry, what would reductions in Impact Aid money mean to the secondary schools in Montana, particularly up your way?

Mr. SCHULZ. In our particular area, we don't have a tremendous amount of Impact Aid in the Kalispell area, although we are surrounded by a tremendous amount of Forest Service. We have a lot of spinoffs from Federal assessments in that regard. But the Impact Aid doesn't affect us that great.

But when you get to Great Falls, though, and Malmstrom Air Force Base and a lot of Indian reservations in our great state, and we have many, there is a tremendous impact. It would be very, very significant. When I was in Washington just two weeks ago with our elementary counterpart, he filled me in on all those. But it is a significant amount.

Mr. WILLIAMS. I mentioned the Chapter 1 program. I think the other Federal education effort that has been counted as successful

over the decades is Head Start. Eighty-four percent of the children eligible for Head Start in the United States can't get in. One reason, lack of money.

So it does seem to me that in answer to this thing about you can't solve problems by throwing money at it, but nonetheless, once you find an answer like Head Start or Chapter 1 and it works, it seems like you ought to throw enough money at it to get every kid in that is eligible under the law of the land. That kind of throwing money in would seem to make some sense, although the term has become anathema in our society.

Mr. SCHULZ. Can I comment?

I used to oversee Chapter 1 in the Kalispell District and work with the Head Start people, and it is true that is a very successful program and it was wonderful to see the improvement in those people, because for the most part they were from welfare homes and they were seeing real gains.

I can see where Head Start, along with the public schools, and Even Start thrown in, we can do a lot more about changing this whole scenario of making these kids not welfare recipients when they are older.

Mr. WILLIAMS. Mick, you will be pleased to know that the Republicans, a minority on the House Education Committee, moved to prepare a document for the House Budget Committee which asks that committee not to zero out the campus-based funds; in other words, to reject the President's proposals, and further, also acted to include in the document a request that the Budget Committee not implement the Income Contingent Loan program, and I want—although there are no minority members of our committee who were able to join us today, I do want to make the point both publicly here and for the record that on my Postsecondary Education Committee and on the House Education and Labor Committee generally, both the Democratic and Republican members tend to be very progressive and have for the most part rejected both President Reagan's and now President Bush's most severe—I think we would agree severe recommendations for the schools. I want to make that point on behalf of my Republican members of my committee and of the other committees as well.

Let me say in closing that I have been somewhat surprised at the unanimity that both panels have taken in rejecting the Bush education budget. And there was some, not entirely inappropriate, harshness expressed today toward the new President with regard to his wanting to be an educational President and then coming up with the kind of budget that he did, which I think surprised you and surprised us and surprised many people in his own party as well.

I also want to say for the record that I did not choose the witnesses here today. We asked various associations and groups, secondary school principals, the elementary school principals, the financial aid people to choose the witnesses for us because we wanted to get as broad a judgment as we could.

And it seems to me that the judgment has been pretty difficult today for the President, but that, too, is helpful to us as we go back or we know now what folks that represent many teachers and principals, superintendents, students and, of course, both state superin-

tendents who were kind enough to come forward, we know what your thoughts are now and it will be very helpful to us.

We are going to leave the hearing record open, if there is no objection, for a week beyond this day so that others may do here what they did at an earlier hearing in Kalispell, and that is provide us with written testimony which we will have included in the record.

So if there are any of you here—and I know there are at least two—if there are some of you here who would like to have your testimony included in this hearing record, we will leave the record open for a week. If you would be kind enough to prepare the testimony and mail it to us with some haste so it arrives on time, we will see that it is included in the record.

Again, I am very grateful to both of my colleagues for joining me here. I know, Jolene, that you have a flight that is going to be leaving the airport in not many minutes, and I am particularly appreciative to you coming out to spend the day with us. The Major is going to stay around a bit longer, so I will continue to enjoy his company.

The hearing is adjourned.

[Whereupon, at 4:50 p.m., the hearing was adjourned, subject to the call of the Chair.]

[Additional material submitted for the record follows.]



THE MONTANA UNIVERSITY SYSTEM

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MONTANA GUARANTEED STUDENT LOAN PROGRAM
OFFICE OF THE
GOVERNOR PAT WILLIAMS

COMMISSIONER OF HIGHER EDUCATION

April 7, 1989

CT

The Honorable Pat Williams
Chairman, Subcommittee on Postsecondary Education
U.S. House of Representatives
617 House Office Building Annex #1
Washington, D.C. 20515

Dear Pat:

I apologize for not being able to testify at your hearing on March 11, 1989, in Missoula. However, Mick Hanson, Director of Financial Aid at the University of Montana, did testify and I understand he did an excellent job. I certainly appreciated his filling in for me and bringing out the serious effect the administration's recommendations would have on campus-based aid including the State Student Incentive Grant Program. Mick's testimony could be repeated by each and every postsecondary educational institution in Montana, including public colleges and universities, community colleges, vocational technical schools, private colleges and the tribally controlled colleges. The only differences between University of Montana's testimony and the other campuses would be the number of students affected.

In addition, I would like to address the issues related to student loans, i.e., Stafford Supplemental and Parental Loans. As you know, the Montana Guarantee Agency has been collaborating with four other western state guarantee agencies on a number of issues, including the "excess reserve" spenddowns. Representatives from Montana, North Dakota, Colorado, Utah and New Mexico met yesterday and discussed our concerns with the "risk sharing" proposals from the administration. The five western states wish to go on record opposing any attempt to increase the risk sharing over and above what is already included in Title IV of the Higher Education Act of 1965, for the following reasons:

1. With respect to lender risk, the administration recommends reducing lender guarantees from 100% to 90% and reducing the special allowance provisions by one quarter of one percent. The special allowance reduction would reduce the yield on Stafford loans from 3.25% to 3.00% above the average of the 91-day treasury bill rate.

Page 2

We believe that increasing lender risk by accepting the administration's recommendation to reduce lender guarantees will curtail student access to student loans because many lenders will stop making loans entirely or lend to selective borrowers attending selective educational units. We believe this recommendation flies in the face of Congressional intent when the program was originally established and subsequently reauthorized.

Reducing the special allowance will have a similar effect. Lenders will bail out of the program. In Montana we have seen a number of lenders drop out of the program. For example, in 1984 there were about 190 lenders participating. During fiscal year 1988, there were 128 active lenders. Reasons for dropping out are that student loans are administratively expensive and time consuming, some lender groups have consolidated their operations, reduced earning because of reductions in special allowance through Graham Rudman and reauthorization.

2. With respect to the guarantee agency's reinsurance, the administration is recommending reducing reinsurance to 90%, 80% and 70%. We believe this recommendation would dramatically impair lenders' confidence in the fiscal viability of the guarantee agency. The excess reserve spenddown has already had its effect in lender confidence. The Montana guarantee agency has had lender comments to that effect. Further loss of confidence could impair student access to loans if lenders drop out. If the guarantee agency were to assume a much greater risk, the current law does not provide the guarantee agency any control over that risk, because if a student is eligible for a loan and the lender makes it, the guarantee agency must guarantee it.

Another concern we have is if lenders leave the program or establish selective lending policies, high risk borrowers would be excluded from the loan program. Under present statutes, each state must have a lender of last resort. If the state does not have a lender of last resort, the guarantee agency must establish one.

Any of the above recommendations proposed by the administration would fiscally impair existing guarantee agency operations.

We would appreciate your support in rejecting the administration's proposal. The five states in the next few weeks will be gathering information from lenders in our respective states and make the results of this survey available to you and your staff as soon as it is complete.

Thank you for your assistance.

Sincerely,

Bill

Bill Lannan, Director
Montana Guaranteed Student Loan Program

APR 13 1989

MONTANA CONGRESS OF

PTA

PARENTS AND TEACHERS

817 Edith, Missoula, Montana 59801 (406) 549-5798

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INSTITUTE OF MONTANA CONGRESS OF PARENTS AND TEACHERS FOR
THE HOUSE EDUCATION AND LABOR COMMITTEE HEARINGSTATE OF MT
MISSOULA, MONTANA
MAY 1989
BY ELLEN BUCHHEIM

Thank you, Representative Williams, for holding a congressional subcommittee hearing on federal education funding in Missoula. I was glad for the opportunity to sit in on a Congressional hearing with local interests well represented. I am also very pleased that you welcome additional written testimony.

I believe it is totally appropriate for the Montana Congress of Parents and Teachers to submit such additional testimony. It is not that we can add to the statistics that you know and heard here today. However, we can broaden the perspective. As Representative Owens expressed, there is a general consensus and understanding by those within the education field of what is happening in the 1990 fiscal federal budget in education program. I would like to assure the committee that this understanding goes beyond the testimony given by these professionals. I speak of the 11,000 plus members of the Montana Congress of Parents and Teachers. We are an advocate organization concerned with all issues that effect children, and we understand the need that faces our people, education, and funding of all children's programs.

As our PTA delegation discussed with Representative Pat Williams on March 1, in Washington D.C., PTA wants significant funding increases in the child nutrition programs. Poverty is a growing reality for many children in Montana; need for proper nutrition is increasing. It is not the time to decrease funding for nutrition programs. In a poll done by the National Education Association, seventy percent of all Montana teachers participating reported that undernourished children/young people are a problem in their school.

The Montana Congress of Parents and Teachers and the National Congress of Parents and Teachers are already on record as being strong proponents of Chapter I programs, vocational education, and programs for children with special needs. Currently, only a fraction of the children eligible for many of these programs are being served. We do not want funds cut or eliminated. Rather, funds should be increased.

In addition, if indeed library programs will sustain a twenty-two percent reduction (as indicated on page 3 of Judith Billings' testimony), let's remind ourselves that our form of government is heavily dependent upon an informed citizenry. For most of us, access to this information is via the library. Libraries provide persons of all ages with information from all points of view, and represent the epitome of freedom. They are among the few places accessible to all regardless of income.

The PTA believes the federal government has a role in education. Programs that effect large segments of the population are best administered and funded at the federal level rather than on an unequal basis state-by-state. Our government must be a positive force behind quality education for all. All adults have an invested interest in the future of our United States, and in the preparation of future wage earners as well as leaders.

Representative Unsoeld declared, "Let the cry go up. We must have better education." Hear the cry of the 11,000 plus Montana Congress of Parents and Teachers members and the 6.4 million National Congress of Parents and Teachers members. Let's work to improve education by increasing spending for programs which have proved worthy. Our president has declared education a top priority. In as much as these compensatory programs are to ensure access to schools for all Americans, let them be financed to the extent that all the children who need the programs can participate. Cuts in federal aid, vocational education, libraries, Indian Education grants, student aid and Chapter I and II would greatly effect our unique population in Montana. Our low population can not support these programs without federal help.

Thank you for this opportunity to go on record in support of significant funding increases for education programs.

'APR 13 1989

April 3, 1989

Honorable Pat Williams, Chairman
House Committee on Secondary Education and Labor
U.S. House of Representatives
Washington, D.C.

Dear Congressman Williams and Members of the Committee:

I was a pleasure to attend your field hearing held in Missoula, Montana on March 31, 1989.

I listened with great interest to the testimony delivered by the respective school superintendents from Montana and Washington as well as the panel representing secondary schools.

I would like to provide your Committee testimony from a different or several different perspectives. I have served as a Tribal Council member, a Trustee on a local school board, and a very concerned parent of school aged children.

In the oral testimony, several references were made to "children at risk". The Indian child is most definitely at risk. The social and economic climate is pervasive in it's attempts to colonize Indian children. Only in the past couple of years have we as educators and parents began to see the fruits of our efforts...i.e., bilingual education, chapter one, alcohol and drug abuse prevention programs, parenting classes, secondary education and post secondary educational opportunities for our young. It would in my opinion strike a tragic blow to the efforts underway to bring about a change in the lives of Indian children.

Ours is a relationships built on a government to government and as such I ask the Committee to not only provide the support for a current level of funding with inflation; but to add additional dollars to meet the large deficit in educational programs for Indians.

We are faced with the same dilemma in that our Head Start Programs cannot serve all those who are eligible. My three children have participated in the program and it has been a wonderful experience and most certainly has provided them a head start on a most challenging future.

Honorable Williams
Page II

I am sure the Committee is aware of the severe problems associated with unemployment on the Reservations. To propose a reduction, any reductions in the federal budget which have the effect of denying a young person an opportunity to break the cycle of dependency of poverty through the acquisition of an education is ludicrous.

I do not believe in "throwing money at the problem"; but I do believe in the right of decency and opportunity. The Federal Government must realize that for every dollar invested in the young of today that can represent several hundred thousand that would be spent on assistance and maintenance program absent on education.

My concerns I am sure represent hundreds of thousands of Indian parents who cherish the prospect of their children breaking the cycle of poverty and dependency they now live.

Your committee is most understanding of the needs. I thank you for taking the time to come to Montana to hold hearings and for allowing me the opportunity to provide the testimony.

Sincerely,



S. Kevin Howlett
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Arlee, Montana 59821

MAY 9 1989

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April 19, 1989

CT

The Honorable Pat Williams
Chairman, Subcommittee on Postsecondary Education
U.S. House of Representatives
617 House Office Building, Annex #1
Washington, D.C. 20515

Dear Pat:

I apologize for not being able to testify at your recent hearing on March 31, 1989 in Missoula. However, I would like to take this opportunity to express MHEAC's opinion in regards to the numerous "risk sharing" proposals being suggested and offered by the Bush administration as they affect the Stafford Student Loan Program.

1. Reducing guarantee agency reinsurance to 90%, 80%, and 70% - This action would drastically reduce the confidence of all capital providing participants in the financial viability of guarantee agencies (i.e. lenders, secondary markets, credit enhancement providers, bondholders). To further reduce the reserves of the guarantee agency (beyond the impact of the "excess reserve" spenddown) by reducing the reinsurance rates could place many more guarantee agencies in a position of violating existing contractual commitments to maintain specified levels of reserves. Such proposed reduction in reserves and levels of reinsurance could also result in secondary markets such as MHEAC not being able to find credit enhancement providers for its financings and, consequently, lenders would significantly reduce their participation in the program because of a lack of availability of a secondary market. The decision to (1) originate, (2) hold student loans guaranteed by any specific guarantee agency, (3) to provide credit enhancement to secondary markets serving those guarantee agencies or (4) to purchase the debt of those secondary markets is made on the basis of the guarantee agencies financial strength and their ability to satisfy claim payments.

This proposed action is potentially fatal to guarantee agencies because the guarantee fee they can charge borrowers and other available revenues are capped by law. The concept of increasing operational expenses while operating under a revenue ceiling can only result in decreased financial viability.

2. Reducing lender guarantee coverage from 100% to 90% - This action could result in many lenders eliminating all participation in the program. At a very minimum it would result in lenders reducing their willingness to make loans to higher-risk students. It would also have a severe negative impact on secondary markets. Most secondary markets do not have sufficient reserves available to cover this additional cost, nor is their sufficient arbitrage earnings allowed under current laws to absorb this additional cost within a financing. Secondary markets would also no longer be willing to purchase student loans at par. The increased cost associated with the decreased guarantee coverage would make the loan worth less to both the original lender and the secondary market. The concept of lender risk sharing is not reasonable in a program where the lender is required to make the loan if the borrower meets the program eligibility requirements regardless of the credit worthiness of the borrower. Nor is it reasonable to expect a secondary market to incur these additional costs when they are required to purchase all loans offered for sale regardless of the credit worthiness of the borrower.
3. Reducing special allowance from 3.25% to 3.0% above the 91 day treasury bill rate - This action would also result in lenders eliminating or reducing their participation in the program. One of the major reasons that lenders participate in this program is that the net return on student loans is competitive with the alternative investments available to the lender. To reduce the financial return to lenders in light of the increased risks and costs that lenders have recently had to deal with (i.e., guarantee agency excess reserve spenddown, increased enforcement of due diligence compliance, major servicing errors, retroactive applicability of regulations) would be very detrimental.

As you can see our perception of the administrations' proposals is not favorable. We believe very strongly that any reductions in guarantee coverage, reinsurance, or special allowance would be viewed very negatively by all capital providing participants in the program. Those participants have been asked to contribute to the cost reduction of this program in numerous areas over the last few years and increased reductions in return can only result in an increase in the number of negative reactions (i.e. additional decisions to not guarantee loans to certain classes of students, additional decisions to decrease willingness to lend to certain classes of students or additional decisions to not provide credit enhancement or invest capital in the program).

We request your support in rejecting the administration's proposals. Please feel free to contact me with any questions or if you need any additional information. Thank you in advance for your assistance.

Sincerely,


James A. Stipcich
Executive Director

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